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United Nations

United Nations Population Fund

Financial report and audited financial statements

for the biennium ended 31 December 2011

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5G

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Report of the Board of Auditors

United Nations • New York, 2012

Note

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Contents

Chapter		Page
	Letters of transmittal	v
I.	Report of the Board of Auditors on the financial statements: audit opinion	1
II.	Long-form report of the Board of Auditors	3
	Summary	3
	A. Mandate, scope and methodology	8
	B. Findings and recommendations	9
	1. Follow-up of previous recommendations	9
	2. Financial overview	10
	3. Progress towards the implementation of the International Public Sector Accounting Standards	12
	4. Statement of assets, liabilities and reserves and fund balances	13
	5. General trust funds	14
	6. End-of-service liabilities, including after-service health insurance	16
	7. Nationally executed projects	16
	8. Harmonized approach to cash transfers	17
	9. Programme and project management	19
	10. Regionalization	21
	11. Procurement and contract management, including the Procurement Services Branch in Copenhagen	22
	12. Consultants, experts and temporary assistance	24
	13. Non-expendable property management	25
	14. Expendable property management	26
	15. Human resources management	26
	16. Information technology	28
	17. Internal audit function	29
	C. Disclosures by management	30
	1. Write-off of losses of cash, receivables and property	30
	2. Ex gratia payments	30
	3. Cases of fraud and presumptive fraud	30

D. Acknowledgement 30

Annexes

I. Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2009 31

II. Cases of fraud and presumptive fraud for the biennium 2010-2011 35

III. Certification of the financial statements 36

IV. Financial report for the biennium ended 31 December 2011 37

A. Introduction 37

B. Unearmarked resources 37

V. Financial statements for the biennium ended 31 December 2011 42

Statement 1: Statement of financial position 42

Statement 2: Statement of financial performance 44

Statement 3: Statement of changes in net assets 45

Statement 4: Cash flow statement 46

Schedule A: Unearmarked contributions — Status of contributions 47

Schedule B: Earmarked contributions — Co-financing revenue, expenses and fund balances 54

Schedule C: Procurement services 62

Schedule D: Unearmarked resources 63

Schedule E: Earmarked resources 64

Summary — Breakdown of expenses by unearmarked and earmarked resources 65

Notes to the financial statements 66

Letters of transmittal

30 April 2012

Pursuant to financial rule 115.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the biennium ended 31 December 2011, which I hereby approve.

(*Signed*) Dr. Babatunde **Osotimehin**
Executive Director

The Chair of the Board of Auditors
United Nations
New York

30 June 2012

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the biennium ended 31 December 2011.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Population Fund (UNFPA) for the biennium ended 31 December 2011, which comprise the statement of financial position (statement 1), the statement of financial performance (statement 2), the statement of changes in net assets (statement 3) and the cash flow statement (statement 4) and the supporting schedules and explanatory notes to the financial statements.

Management's responsibility for the financial statements

The Executive Director is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2011 and its financial performance and cash flows for the biennium then ended in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNFPA that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations Population Fund (UNFPA/FIN/REG/Rev.9) and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of UNFPA.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
(Lead Auditor)

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the United Kingdom
of Great Britain and Northern Ireland

30 June 2012

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of UNFPA for the biennium ended 31 December 2011. The audit was carried out through field visits to country offices in Georgia, Haiti, Nepal, the Sudan and Uganda, and to the Africa, Eastern European and Central Asia regional offices, the Procurement Services Branch, as well as a review of the financial transactions and operations at Headquarters in New York.

Audit opinion

The Board has issued an unmodified opinion on the financial statements for the period under review, as reflected in chapter I.

Previous biennium qualification and residual concerns

In the previous biennium, the Board issued a modified opinion on the financial statements of UNFPA to reflect weaknesses in the nationally executed expenditure modality audit process and audit results. Following a major revision and improved management oversight of the process, UNFPA presented adequate support and assurance for its nationally executed expenditures for the biennium.

While the Board is satisfied with the improvements in the management and monitoring of national execution from a headquarters perspective, the Board has considered that the control environment in the field is generally not operating as consistently and effectively as it should. The reports of the Division for Oversight Services indicated that 58 per cent of the reports (mostly related to field activities) had an "unsatisfactory" rating, which indicates that internal controls and risk management practices were not established or functioning well.

The Board has also found that there is lack of clarity regarding the extent of oversight that regional offices were required to exert over country offices. These findings reflect that UNFPA needs to strengthen its monitoring and oversight activities over the field operations.

Follow-up of previous recommendations

Of the 93 recommendations made by the Board for the biennium 2008-2009, 64 (69 per cent) were fully implemented; 18 (19 per cent) were under implementation; and 11 (12 per cent) were not implemented. The Board noted that UNFPA had implemented all the recommendations relating to national execution expenditure. Although the rate of implementation improved compared to the prior biennium, the overall percentage of recommendations that were not implemented had increased compared to the prior biennium. Most of the unimplemented recommendations related to asset management, leave management and procurement. The Board comments about these areas in the report. Details of the status of implementation of the Board's recommendations are shown in annex I to the present document.

Financial overview

For the period under review, total income was $1.81 billion, compared with $1.65 billion for the previous biennium, an increase of 10 per cent. Total expenditure amounted to $1.65 billion, compared with $1.53 billion in the previous biennium, an increase of 8 per cent. This resulted in an excess of income over expenditure of $157.44 million, compared with an excess of $125.86 million in the previous biennium.

The operational reserve for the period under review decreased by 3 per cent to $90.7 million in line with the policy to keep an operational reserve at 20 per cent of regular resources revenue (2009: $93.9 million). Total programme fund balances increased by 21 per cent to $417.53 million (2009: $343.85 million).

Progress towards the implementation of the International Public Sector Accounting Standards

UNFPA is on track with its plans to implement the International Public Sector Accounting Standards (IPSAS) and has concluded major phases of the project, including the development of accounting policies, revision of the Financial Regulations and Rules, and customization of the Atlas system (Enterprise Resource Planning system). Matters that need to be closely monitored include the development of IPSAS opening balances and the data clean-up, to address weakness in asset management and leave management and rolling out the inventory module to country offices.

Financial management

The Board found that UNFPA maintained an adequate process in the preparation of its financial statements. The Board noted items, however, which, although immaterial, affected the accurate presentation of the financial statements, an indication of improvements that still need to be made in the process. The Board found incorrectly classified balances in accounts payable and accounts receivable, old legacy balances, as well as long outstanding education grant advances that were not adequately reviewed.

End-of-service liabilities including after-service health insurance

UNFPA has fully accrued for its end-of-services liabilities in its financial statements of $195.13 million, which consists of $163.29 million for after-service health insurance, $11.07 million for unused vacation leave credits, and $20.78 million for repatriation benefits.

Nationally executed projects

UNFPA incurred expenditure amounting to $470.5 million (2009: $379.27 million) for the biennium through the national execution modality, representing 28 per cent of the programme expenditure.

During the biennium, UNFPA performed an extensive exercise to revise the management of the nationally executed expenditure audit process, which led to improved results. That included the appointment of the global audit firm to oversee all national execution audits, the institutionalization of regular senior management review of progress, the appointment of dedicated staff and the revamp of the

database used to monitor the process. With those measures, the Board observed a well-managed national execution process as well as improved results of the national execution audits for both 2010 and 2011.

UNFPA also implemented all recommendations relating to the national execution expenditure audit process issued in the previous biennium.

Harmonized approach to cash transfers

As one of the agencies of the Executive Committee of the United Nations Development Group, UNFPA plays a role in, and is affected by, the implementation of the harmonized approach to cash transfers (HACT) in the field. However, a limited number of UNFPA country offices (7 of 134 country offices) has completed the foundational processes to implement the modality, owing to a lack of follow-up and monitoring at a headquarters level, challenges faced by country offices from getting cooperation from governments and limitations of the HACT framework.

The Board notes that the challenges presented by the HACT framework are systemic across the Executive Committee agencies, where UNFPA can only play a limited role.

Programme and project management

While the significant weaknesses in the national execution modality observed in the previous biennium have been resolved through the headquarters working in concert with country offices, weaknesses in the field still remain. The Board noted that the clearing of operating fund account advances did not occur in a timely manner. The Board also noted some weaknesses in programme monitoring in the Sudan country office.

Regionalization

The Board noted that the regional restructuring of UNFPA, which started in 2007, was not adequately planned and managed as a project. UNFPA had developed terms of reference for regional offices and delegated the authority to the regional offices to provide oversight, guidance support, and coordination; however, UNFPA did not develop a monitoring tool to enable management to assess progress, identify and manage risks, and whether the process achieved the objectives, or to record the lessons learned.

The Board further noted a lack of clarity as to the extent of oversight that regional offices were required to exert over country offices. Absence of management oversight over field activities is a concern in the light of the weaknesses identified at country offices in the present report.

Procurement and contract management

The Board noted a number of procurement weaknesses, including a considerable number of waivers of competitive bidding without adequate justification, weaknesses in solicitation processes, non-performance of vendor evaluations and instances where conflicts of interest were not considered by the contract review committees. The weaknesses in procurement functions will compromise the principles of fairness and transparency in the procurement process and could lead to UNFPA not obtaining the best value for money.

Non-expendable property management

The Board's analysis of the weaknesses in asset management indicate that UNFPA should implement focused initiatives on asset verification/certification procedures, asset identification and recording of accurate information on acquisition. Its initiatives could be made through the review and emphasis of its guidance or training on asset management to provide capacity in the field. The maintenance of an accurate and a complete entitywide asset register will be critical to the implementation of IPSAS from 2012 onward.

Human resources management

The Board noted that UNFPA maintained an overall average vacancy rate of 16 per cent and that important posts in the field remained vacant for long periods. UNFPA Nepal made excessive use of service contractors to support its core functions, while the Sudan country office made extensions of the service contractors without performing performance evaluations.

The Board continued to note weaknesses in the process to manage leave balances where manual leave balances did not fully reconcile to the system balances in Atlas. The Board is concerned that these discrepancies increase the risk of misstatements of leave liability opening balances under IPSAS.

Information technology

The Board performed general controls review of the information technology environment at UNFPA. At the time of the review, the Board found that UNFPA did not have an information technology governance framework in place. As a result, the Management Information System (MIS) unit did not regularly perform risk assessments and document its risks in a risk register, to ensure that information technology risks are systematically addressed. The UNFPA Atlas application system was not configured to ensure segregation of duties between the Head of Office and the Directory Focal Point. As at year end, however, UNFPA had implemented the Board's recommendations relating to the areas identified above.

Internal audit function

The Division for Oversight Services issued 26 reports during the biennium, of which 15 had "unsatisfactory" rating results, 6 were partially satisfactory, 4 were satisfactory and 1 did not have a rating as it was an advisory assignment. The number of reports with "unsatisfactory" rating is consistent with the findings of the Board where controls exercised in the field remain weak.

Recommendations

The Board has made several recommendations based on its audit. The main recommendations are that UNFPA:

(a) Formally document an opening balance plan and execute its plan for the preparation of opening balances for IPSAS; address the deficiencies in the asset registers and leave balances; urgently roll out the inventory management system to country offices as soon as possible; and develop an IPSAS benefits realization plan;

(b) Monitor the issuing of project progress reports to donors by country offices, as required by the donor agreements;

(c) Address, through its operational and management process, the matter of ensuring that operationally closed earmarked projects are financially closed in a timely manner;

(d) Revisit the HACT framework to address the reasons why the framework has not worked, if HACT needs to be pursued or revised or if alternate models that support the original objectives can be developed;

(e) Review the adequacy of the assignment of the responsibility within the organization for active participation of UNFPA in HACT; review the assessment and audit reports to identify the needs of the implementing partners and improve the capacity, and correctly implement the HACT framework to ensure that it provides assurance that funds were used for the intended purposes;

(f) Consider effective controls, with a focus on headquarters monitoring over country office controls, to ensure that operating fund account balances are cleared on time;

(g) Provide clarity on the extent of oversight that regional offices have to provide to country offices; capacitate regional offices with staff and tools to enable them to carry out the oversight functions; and design and implement the performance measure system to be used to measure the effectiveness and performance of regional offices;

(h) Address the weaknesses in its regional office architecture, as recommended by the Division for Oversight Services;

(i) Comply with its policies and procedures regarding the evaluation of vendor performance;

(j) Implement procedures to monitor the use of waivers and review the validity of the reasons provided by requesting units for waivers; and adequately document and justify the use of waivers;

(k) Strengthen the review of ex post facto cases and other submissions to the Contract Review Committee to limit the number of such cases;

(l) Develop adequate contract management procedures to identify contracts that will expire, and start the procurement process in good time;

(m) Strengthen asset management controls in the field either through reviewing its guidance available to country offices or through training on asset management; its initiatives should focus on timely submission of asset certifications, improvements in asset identification and recording, and inventory count procedures;

(n) Perform regular physical verification of assets to ensure accuracy and completeness of asset registers;

(o) Disclose in the financial statements the value of unused expendable property at the end of the financial period in order to improve transparency, accountability and financial reporting, and in preparation for the implementation of the International Public Sector Accounting Standards;

(p) Address vacant positions; and shorten the lead time for filling vacancies and ensure that it has sufficient resources to achieve its programme objectives;

(q) Expedite finalizing and action of its business plan to redesign some of the posts;

(r) Implement procedures that would require the preparation and review of payroll reconciliations, at least on a quarterly basis;

(s) Expedite the process of reconciling the manual leave balance and the system balance to ensure accurate and complete leave balances for IPSAS opening balances.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Population Fund (UNFPA) and reviewed its operations for the biennium ended 31 December 2011 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto (see ST/SGB/2003/7), as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2011 and the results of its operations and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards. That included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of UNFPA. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNFPA operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNFPA operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report accordingly. Those matters are addressed in the relevant sections of the present report, and a summary is included in annex I.

4. The Board continues to report the results of its audits to UNFPA in the form of management letters containing detailed observations and recommendations. That practice allows for ongoing dialogue with UNFPA management. In that regard, 10 management letters were issued covering the period under review.

5. The Board coordinates with the Division for Oversight Services in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the latter's work.

6. This covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the General Assembly and the Advisory Committee on Administrative and Budgetary Questions. In particular, the Advisory Committee, in its relevant report (A/65/498, paras. 19 and 20), has recommended that the Board:

(a) Report to the General Assembly on an annual basis on progress in implementation of IPSAS;

(b) Provide, when requested, advice and guidance on matters relating to the interpretation of IPSAS standards.

7. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

8. The recommendations contained in this report do not address the steps which UNFPA may wish to consider in respect of officials for instances of non-compliance with its Financial Regulations and Rules, administrative instructions and other related directives.

B. Findings and recommendations

1. Follow-up of previous recommendations

9. Of the 93 recommendations made for the biennium 2008-2009, 64 (69 per cent) were fully implemented; 18 (19 per cent) were under implementation; and 11 (12 per cent) were not implemented. Details of the status of implementation of these recommendations are shown in annex I to the present report.

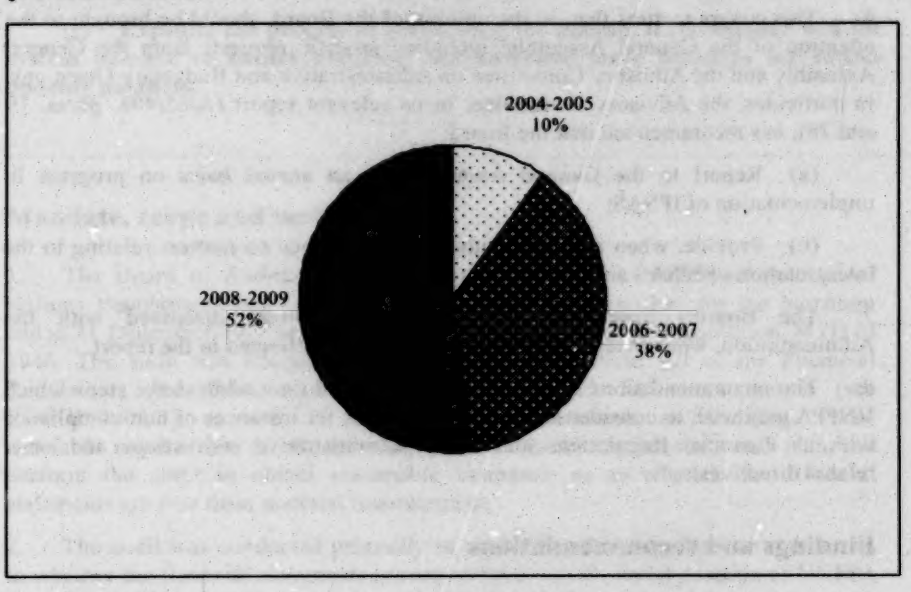
10. The Board noted the improvement in the implementation of recommendations of 69 per cent compared to the 49 per cent in the prior biennium, taking into account the increased number of recommendations. However, the Board is concerned about the low implementation of its recommendations on asset management and leave management, which have been outstanding since the biennium 2004-2005.

11. The Board noted that all recommendations relating to national execution expenditure were implemented. The Board noted that UNFPA made gradual progress in the implementation of recommendations relating to operating fund advances, education grants and long-outstanding fund balances for third-party procurement; however, these were not fully implemented.

12. In response to the request of the Advisory Committee (A/59/736, para. 8), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated, in figure II.1, the financial periods in which those recommendations were first made.

13. The Board noted that of the 29 recommendations not yet fully implemented, three recommendations (10 per cent) were first made in the 2004-2005 biennium, 11 recommendations (38 per cent) were made in the 2006-2007 biennium, while the remaining 15 (52 per cent) were first made in the 2008-2009 biennium.

Figure II.1
Ageing of recommendations under implementation/not implemented for the previous biennium



2. Financial overview

14. Total income for the period under review amounted to $1.81 billion, while total expenditure amounted to $1.65 billion, giving an excess of income over expenditure of $157.44 million. Total income ($1.81 billion) increased by 10 per cent compared to $1.65 million in 2009, a reflection of general donor support to the UNFPA mandate. Its expenditure increased by $0.12 million or 8 per cent. Comparative income and expenditure for the financial periods 2006-2007, 2008-2009 and 2010-2011 are shown in figure II.2, indicating a constant increase in the total revenue and corresponding increase in expenditure.

Figure II.2
Comparative income and expenditure
(Billions of United States dollars)

15. Other resources accounted for approximately 56 per cent of total contributions in 2010-2011. A high percentage of other resources has been an increasing trend since 2004-2005. The larger percentage of resources in other resources reflects that UNFPA activities are predominantly in accordance with specific donor requirements.

16. The Board noted a significant increase in the balance of contribution receivables of $92.69 million from $3.27 million. This change is largely due to the change in UNFPA accounting policy for contributions receivable from cash basis to accrual basis.

17. Table II.1 contains key financial ratios extracted from the financial statements. The ratios are marginally affected by changes in the accounting policy of contributions revenue and third-party procurement.

Table II.1
Ratios of key financial indicators

	Period/biennium ended 31 December			
Ratio	*2007*	*2009*	*2011*	*Component of 2011 ratio[a]*
Cash and equivalents/total assets	0.95	0.932	0.863	744,33/862,02
Current assets/current liabilities[b]	3.84	8.39	4.36	668,69/153,15
Months in operational reserve[c]	2.35	2.45	2.15	90,20/1 005,50*24
Asset/liability[d]	2.44	3.32	2.47	862,79/349,55

[a] In millions of United States dollars.
[b] A high indicator depicts a healthy financial position.
[c] A ratio indicates the number of months operating reserve can sustain the operations.
[d] A high indicator is a reflection of sufficient assets to cover all liabilities.

18. UNFPA has a sound financial position, as evidenced by the liquidity ratio (current ratio) and the solvency ratio (asset-to-liability ratio). The liquidity ratio indicates that UNFPA had $4.39 (2008-2009: $8.39) in short-term resources to service each dollar of current debt, although the ratio has decreased compared to the prior year. UNFPA classified its investments into current and non-current investments to reflect the time frames in which its investments will be realized.

3. Progress towards the implementation of the International Public Sector Accounting Standards

19. The Advisory Committee on Administrative and Budgetary Questions in its review of the Board's reports for the biennium 2008-2009, recommended in its report (A/65/498, para. 19) that the Board prepare an annual report on progress in implementation of IPSAS. The recommendation was endorsed by the General Assembly in resolution 65/243 A. Pursuant to the Advisory Committee's recommendation, in March 2011 the Board reviewed the IPSAS implementation readiness of UNFPA and issued a management letter with detailed findings and recommendations at that stage.

20. In its previous report (A/65/5/Add.7), the Board recommended that UNFPA define the measurable milestones to be achieved in each phase of the project; formally define the role of the regional and subregional offices and other headquarters units; and consider activities that would be required after 1 January 2012 to support IPSAS implementation.

21. The Board performed a follow-up of the IPSAS readiness review at UNFPA, and as of May 2012, it noted that UNFPA implementation was on track. UNFPA had started implementing accrual accounting and had produced management accounts for January and February 2012. It had finalized all its accounting policies, amended its financial regulations and rules and made the required system customization of Atlas. The project was monitored by the senior management, where the Project Board (Steering Committee) was chaired by the Executive Director.

22. While UNFPA had made progress in its implementation of IPSAS, the Board noted areas that needed to be closely managed for UNFPA to successfully implement IPSAS:

(a) The Board noted that UNFPA did not have a formally documented strategy to develop its opening balances plan and perform data cleansing. UNFPA, however, intended to compile its opening balance after the 2011 United Nations system accounting standards audit had been completed and was still in the process of clearing legacy balances;

(b) As detailed in specific sections of this report, the Board had concerns regarding asset management and leave management which still indicated weaknesses;

(c) Although UNFPA had embarked on a process to identify the country offices that held stock in its warehouses and the physical stock count was performed at year end and reported to headquarters, the Board noted that the inventory module had not been rolled out to country offices. The Board is concerned that the inventory module had not been rolled out five months after IPSAS was adopted on 1 January 2012.

23. Although the IPSAS plan lists benefits to be derived from the implementation of IPSAS and the benefits are listed in management communications with internal and external stakeholders, UNFPA did not have an IPSAS benefits realization plan or mechanism for tracking the benefits to be realized from the implementation of IPSAS.

24. The Board notes the progress made by UNFPA in implementing its IPSAS strategy; however, the areas identified above remain relevant to assist management in achieving the objectives of IPSAS implementation.

25. **The Board recommends that UNFPA: (a) formally document the plan and execute its plan for the preparation of opening balances for IPSAS; (b) address the deficiencies in the asset registers and leave balances; (d) urgently roll out the inventory management system to country offices as soon as possible; and (e) develop an IPSAS benefits realization plan.**

4. Statement of assets, liabilities and reserves and fund balances

26. The Financial Regulations and Rules of UNFPA allocate to the Executive Director the responsibility for the production of accurate financial statements in accordance with the accounting framework.

Incorrect classification of accounts receivable and accounts payable

27. In its previous report (A/65/5/Add.7, paras. 37-41) the Board noted that UNFPA did not prepare reconciliations for major control accounts. The Board recommended that UNFPA prepare reconciliations for major account categories, namely, accounts payable, accounts receivable and the expense accrual account, and ensure that they were reviewed by a senior official on a regular basis.

28. In the current biennium, UNFPA maintained an adequate process to prepare its financial statements and made reconciliations for its major control accounts. However, the Board noted a number of accounts and balances, which although immaterial, were incorrectly classified or recorded in accounts payable and accounts receivable:

(a) A liability of $9,211 was recorded in 2007 and had not been cleared because it related to a transaction that was incorrectly recorded;

(b) Payments and receipts relating to accounts payables of $11,371 and accounts receivables of $23,688 were not recorded in the same account that the payables and receivables were recorded; as a result, debits and credits were reflected in accounts that were not related to the transactions;

(c) Reversal of travel expenses amounting to $7,704 were incorrectly recorded in the accounts payables since 2009 and were not rectified;

(d) Debit balances of $55,588 were netted off against accounts payables instead of being classified as accounts receivable;

(e) Credit balances of $123,688 were netted off against accounts receivables instead of being classified as accounts payable.

29. The Board considers that the incorrect classification of balances is indicative of a financial statement preparation process that still needs some improvement.

UNFPA informed the Board that it would correct the transactions in 2012 during its clean-up of legacy balances.

30. **UNFPA agreed with the Board's recommendation to review its transactions and general ledger to ensure that transactions and account balances are correctly classified in the correct accounts.**

Education grants

31. In its previous report (A/65/5/Add.7, para. 46), the Board noted that the staff education grant advance account included amounts that had been outstanding for more than one year. The Board recommended that UNFPA follow up with UNDP to clear all long-outstanding amounts from staff education grants and regularly reconcile the account to comply with paragraph 11 of information circular ST/IC/2002/5, and that UNFPA, in conjunction with the United Nations Development Programme (UNDP), consider a revision to the separation processes to ensure that outstanding education grants were recovered from staff prior to separation.

32. As at 31 December 2011, the Board noted that the education grants advance account had a balance of $3.76 million, and included in that balance was a net amount of $315,482 (debit $351,150 and credit $35,668) that had been outstanding for more than two years. The outstanding balance also included amounts owing from staff members that had separated from UNFPA, indicating that the amounts might not be recoverable.

33. **The Board reiterates its recommendation that UNFPA: (a) clear all long-outstanding amounts from staff education grants; (b) regularly reconcile the account to comply with paragraph 11 of information circular ST/IC/2002/5; and (c) consider a revision to the separation processes to ensure that outstanding education grants are recovered from staff prior to separation.**

34. UNFPA informed the Board that it subsequently processed all education grant advances that had been outstanding for over a year except for one separation case that was not yet finalized.

35. UNFPA further informed the Board that it had revised the letter of separation for staff members in March 2012 with a requirement that all education grant claims should be submitted prior to the date of separation, and that if the claim was not submitted, the full amount of the advance would be recovered from the staff members' final pay.

5. General trust funds

Trust funds with minimal activity

36. In its previous report (A/65/5/Add.7, para. 66), the Board noted that there were fund codes with opening balances but with no programme expenditure during the biennium or with little programme expenditure compared to the available funds. The Board recommended that UNFPA follow up with donors to ensure that available donor funds were utilized for programme implementation or paid back to donors in a timely manner.

37. On review of schedule B of the financial statements for the biennium ended 31 December 2011, the Board noted that there were still some trust funds with little

or no opening fund balances and with no programme expenditure during the biennium in comparison to the funds available.

38. UNFPA informed the Board that unspent balances were waiting to be reprogrammed upon receipt of correspondence from the donors, and that funds with low expenditures were the result of funding received towards the end of the biennium for the agreements that would end in 2013.

39. **UNFPA agreed with the Board's reiterated recommendation to follow up with donors to ensure that available donor funds were utilized for programme implementation, or paid back to donors in a timely manner.**

Lack of monitoring donor reports

40. In its previous report (A/65/5/Add.7, para. 72), the Board noted a lack of monitoring of donor reporting and UNFPA agreed to monitor the issuing of progress reports to donors for projects by country officials, as required by the donor agreements.

41. On review of the Donor Agreement and Report Tracking System, the Board still noted that progress reports were submitted late or were not submitted at all. UNFPA indicated that it followed up with country offices, and that it had developed input to be incorporated in 2012 office management plans to ensure compliance and accountability.

42. **UNFPA agreed with the Board's reiterated recommendation to monitor the issuing of project progress reports to donors by country offices, as required by the donor agreements.**

Project closure

43. In its previous report (A/65/5/Add.7, para. 76), the Board recommended that UNFPA address, through its operational and management processes, the matter of ensuring that operationally closed projects were financially closed in a timely manner.

44. During the biennium, UNFPA changed its practices of operational and financial closure of un-earmarked projects so that funds are now allocated to projects on an annual basis, and at the end of the year unused funds are reallocated. That change was also reflected in its Financial Regulations and Rules. However, the change did not apply to programmes funded from trust funds, which still follow the old practice. The Board noted that some projects funded from earmarked resources were still not financially closed on time.

45. Projects that remain financially open after they had been operationally closed increase the risk of unrelated expenditures being charged to projects. UNFPA informed the Board that it would monitor this requirement through donor reporting requirements. That approach, however, still raises concerns, as the Board has also noted lack of compliance in donor reporting in the present report.

46. **The Board reiterates its recommendations that UNFPA address, through its operational and management process, the matter of ensuring that operationally closed earmarked projects are financially closed in a timely manner.**

6. End-of-service liabilities, including after-service health insurance

47. The financial statements for the period under review reflected end-of-service and post-retirement liabilities amounting to $195.13 million. Of that amount, $163.29 million represented after-service health insurance, $11.07 million related to unused vacation leave credits, and $20.78 million represented repatriation benefits. UNFPA fully accrued for all its end-of-service liabilities in current biennium financial statements.

Annual leave liability

48. In its previous report (A/65/5/Add.7, para. 84), the Board stated that it considered that calculating annual leave liability through the actuarial valuation was not appropriate as it included future days to be accumulated and was discounted. The Board recommended that UNFPA consider a revision of its policy for the valuation of the annual leave liability in its implementation of the International Public Sector Accounting Standards.

49. The Board noted that for the current biennium under review, UNFPA continued to determine its annual leave liability through an actuarial valuation and indicated that it would implement the Board's recommendation in its implementation of IPSAS.

50. The Board is aware that the computation of the leave liability using an actuarial method is a systemic issue across United Nations entities and it will seek to address this issue with the United Nations system. The Board will therefore keep this recommendation under review.

7. Nationally executed projects

Nationally executed expenditure process

51. In its previous report (A/65/5/Add.7, para. 119), the Board modified its audit opinion to emphasize its concerns regarding nationally executed expenditure. The Board was concerned about unsatisfactory results reflected in audit reports furnished by auditors of national execution (NEX) activities and the shortcomings in the management of nationally executed expenditures.

52. UNFPA financial statements for the biennium reflect that UNFPA incurred national execution expenditure amounting to $470.5 million (2009: $386.67 million), which represents 28 per cent of its total expenditure.

53. Following the qualification of its accounts, UNFPA embarked on an extensive exercise to improve its controls in the management of the national execution assurance process. As part of revised processes, UNFPA:

(a) Appointed a global audit firm to perform its audits of national implementation partner certifications covering about 80 per cent of the projects that were due to be audited, while also performing a review of audit reports performed by auditors of national governments where applicable;

(b) Improved its database that manages the submission of national implementation audit certificates;

(c) Enhanced its follow-up mechanism with country offices and implementing partners;

(d) Allocated to a senior manager the responsibility of monitoring the national implementation audit process from initiation to submission and the review of the results of the audit process.

54. The Board noted significant improvements in the management of the nationally executed audit processes as well as the results of the process. The Board noted that more than 90 per cent of the audit reports were submitted on time; the number of audit reports that received modified audit opinions decreased from 13 per cent ($31 million) in 2010 to 8 per cent ($16.9 million) in 2011. Total expenditure that was unsupported decreased from $6.05 million in 2010 to $2.7 million in 2011.

55. With those measures, the Board observed a well-managed national execution process as well as improved results of the national execution audits for both 2010 and 2011. The total amount of unsupported expenditure was not material in the context of the financial statements, and as a result the Board is able to remove its previous modification of its report relating to national implementation.

8. Harmonized approach to cash transfers

56. The framework for harmonized approach to cash transfers (HACT) to implementing partners defines HACT as a risk management approach to the process of transferring cash to implementing partners. Its aim is to reduce transaction costs for implementing partners and to strengthen the financial management capacity of implementing partners.

57. The Board has taken into account in its approach that HACT implementation is not a specific agency initiative but a joint effort of the Executive Committee agencies that make up the United Nations country team. Therefore, some of the challenges presented by the framework should be rightly addressed from a United Nations system perspective, and UNFPA is constrained by the structure of the United Nations coordination system.

58. The United Nations Development Group (UNDG) HACT Advisory Committee conducted a global assessment of HACT which was aimed at providing an in-depth analysis of the challenges in the HACT implementation process. While some findings contained in this section may apply specifically to UNFPA, several of them relate to how the HACT framework, from a system point of view, has not worked.

HACT process at UNFPA

59. The Board reviewed UNFPA implementation of HACT in the field as well as the activities that were in place at headquarters to monitor the progress being made and observed the following:

(a) The list of HACT-compliant countries compiled by the United Nations Development Group's Development Operations Coordination Office indicates that only 29 UNFPA country offices declared that they were complying with the HACT framework. The Fund's own processes, certified through the UNFPA NEX Unit in the Division for Management Services, indicated that only nine/seven country offices were HACT-compliant in 2010 and 2011, respectively. Both statistics indicated lack of progress since the process was introduced in 2005;

(b) The Board noted that the absence of a proactive process within UNFPA to encourage the self-declared country offices to fully implement the residual

processes of certification through the NEX Unit had contributed to the limited number of country offices that were HACT-compliant;

(c) One of the objectives of the HACT assessments is to identify weaknesses in the financial controls of the implementing partners and assign a risk rating based on the controls, which in turn informs the cash transfer modality applied to that implementing partner. Other than for selecting a transfer modality, the risk rating also helps United Nations entities to identify implementing partners that require strengthening. While the agencies spent resources on assessments and audits, the process is of little value if they did not utilize the outcomes and results of such process in their implementation of programmes.

60. The HACT implementation framework requires audit tests to be conducted for implementing partners with expenditure of $500,000 or more. The tests provide assurance on the effectiveness of controls of the implementing partner, but not on whether funds were spent for the intended purpose. Spot checks, either internally or through independent external consultants, were still necessary to obtain the assurance that funds advanced to implementing partners were used for intended purposes. The Board noted that UNFPA did not perform spot checks for nine HACT-compliant countries with a total expenditure of $21 million, resulting in a lack of assurance that the amount was spent for the intended purposes.

61. UNFPA stated that alone, it had very limited ability and capacity to build the capacity of implementing partners in financial management, especially at country level; however, globally it is planning a capacity development initiative, targeting UNFPA staff and some implementing partners' staff through the development of NEX training packages which, subject to the approval of funding, will be rolled out in 2012.

Ineffective monitoring of HACT implementation

62. The Board noted that HACT implementation was not included in the office management plans and performance appraisal documents of representatives; instead representatives were measured on the national execution process. The HACT implementation guideline for UNFPA requires that HACT implementation be included in UNFPA representatives' office management plans, as well as in their own performance appraisal documents, to ensure prioritization of HACT implementation and monitoring of the progress. UNFPA indicated that HACT is implemented by the United Nations country team as a whole; therefore monitoring would be appropriate at the inter-agency level. The Board acknowledges that HACT implementation requires coordination of the United Nations country team; however, it is of the view that each respective agency needs to define its roles and responsibilities and to prioritize HACT implementation at the agency level.

The UNDG HACT Advisory Committee's global assessment of HACT

63. The assessment highlighted a number of difficulties and challenges with the HACT implementation process which include the following:

(a) In many programme countries HACT has not been implemented beyond the initial stages of the required capacity assessments;

(b) Incentives for governments to agree to and fully support HACT have not been sufficiently outlined;

(c) For many governments, the introduction of HACT is accompanied by very high entry costs in terms of full financial and organizational disclosure at the directorate or departmental levels. The main reason for governments to oppose the implementation of HACT is because the systematic approach through assessments and assurance activities at the institutional level is interpreted as interfering with national sovereignty;

(d) Risk ratings applied by third-party audit/consulting firms expose capacity gaps and organizational weaknesses with a potentially negative impact on cash disbursements through other development partners;

(e) Terms and conditions as stipulated by the HACT framework are perceived to introduce unnecessary accounting and reporting obligations;

(f) United Nations country teams have no clear reference or guidance on how to approach HACT in net contributing countries with a high amount of third-party cost sharing. The HACT framework does not go beyond a description of technical procedures of how to conduct assessments or request and report expenditures;

(g) HACT-implementing countries have particular challenges in establishing assurance and audit plans. A number of countries that have implemented assurance and audit plans have not been able to systematically follow up with the actual assurance activities. The main reason for this is the limited staff and financial capacity of the United Nations at the country level.

64. **The Board considers, therefore, that there is a need for the United Nations system to revisit the HACT framework to address the reasons why the framework has not worked, if HACT needs to be pursued or revised or if alternate models that support the original objectives can be developed.**

65. **Where HACT implementation is continued by Executive Committee agencies, the Board recommends that UNFPA: (a) consider amendments to its HACT implementation guideline to clearly define roles and responsibilities relating to HACT implementation; and (b) establish, in conjunction with other agencies, clear deadlines for HACT compliance for its country offices.**

66. **Furthermore, the Board recommends that: (a) UNFPA review the adequacy of the assignment of the responsibility within the organization for active participation of UNFPA in HACT; (b) review the assessment and audit reports to identify the needs of the implementing partners and improve the capacity; and (c) correctly implement the HACT framework to ensure that it provides assurance that funds were used for the intended purposes.**

9. Programme and project management

Weaknesses in programme monitoring

67. The Board noted that in the Sudan country office, programme officers were not performing regular field monitoring visits to implementing partners to assess progress and prepare field monitoring reports, as required by UNFPA policies and procedures on programme country monitoring and evaluation. The lack of field monitoring creates a risk that the programme officers will be unable to assess the implementing partner's progress and intervene in a timely manner where problems are identified.

68. UNFPA Sudan informed the Board that it would ensure that the results of the monitoring visits were captured in the quarterly field monitoring visits reports.

69. **The Board recommends that UNFPA Sudan complete quarterly field monitoring visits reports for all implementing partners.**

70. UNFPA informed the Board that it has since revised its policy for monitoring and in accordance with the revised policy, field monitoring visits are no longer mandatory. The Board will review this matter in future to assess whether there are adequate compensating procedures that would be performed by UNFPA to obtain the assurance that was obtained through field monitoring visits.

Long-outstanding operating fund account balances

71. Where UNFPA advances funds to its implementing partners, it records the funds transferred in its operating fund advances, until such time as supporting documents are presented, to indicate that the advance had been utilized for project activities.

72. In its previous report (A/65/5/Add.7, paras. 193-198), the Board noted the accumulation of operating fund advances throughout the year and that UNFPA had to go through an extensive exercise at year-end to clear the operating fund account balances. The Board also noted that there were long-outstanding operating fund advance account balances, and credit balances included in the operating fund account balance. The Board recommended that UNFPA take steps to follow up on long-outstanding operating fund advances in a timely manner and consider reallocating credit balances in operating funds and advances to accounts payable. During the biennium under review the Board noted the following:

(a) As at 31 December, UNFPA had operating fund account balances of $9.5 million compared to $17.4 million in 2009. However, the Board noted that the trend of clearing operating fund account balances only towards the closure of the general ledger continued. As at October 2011, operating fund account balances were at $88 million, an indication that controls were not adequate to ensure that advances were liquidated in a timely manner throughout the year;

(b) While advances should be liquidated on a quarterly basis, UNFPA still had a balance of $720,174 dating back to the 2009 biennium that was outstanding at 31 December 2011;

(c) Operating fund account balances included credit balances totalling $841,070 that were offset against the operating fund account balance. UNFPA informed the Board that negative balances were the result of incorrect liquidation of operating fund accounts to projects or implementing partner codes, and the Division for Oversight Services had advised management not to reclassify the balances to accounts payables, on the ground that most negative balances were the result of accounting errors and compensated debits reflected under other codes for the same implementing partner; hence it considered it appropriate to offset those items.

73. UNFPA informed the Board that quarterly reports were sent by headquarters to the regional officers requesting the regions to follow up with country offices. The Board is of the view that the extensive effort to clear operating fund account balances performed by headquarters was an indication of monitoring controls that were not functioning in the field.

74. The Board reiterates its previous recommendation that UNFPA: (a) follow up on long-outstanding operating fund advances in a timely manner and ensure that funds advanced are utilized for their intended purposes; and (b) reallocate credit balances in operating funds and advances to accounts payable.

75. The Board further recommends that UNFPA: (a) analyse its long-outstanding operating fund balances and identify balances that are not recoverable and consider write-off; and (b) review operating fund advances transactions to identify and correct accounting errors.

76. The Board reiterates its recommendation that UNFPA consider effective controls, with a focus on headquarters monitoring over country office controls, to ensure that operating fund account balances are cleared on time.

Internal audit findings

77. The Division for Oversight Services audited 13 country offices throughout the biennium; 10 of those offices were assessed as unsatisfactory in that internal controls and risk management practices were not established or functioning well. Weaknesses were also noted in country programme management, where the Division noted project implementation delays, inadequate programme monitoring and non-compliance with donor reporting requirements.

10. Regionalization

78. UNFPA underwent a restructuring starting in 2007 which included the establishment of regional offices through the merger of its geographical division with the country technical services support team. That was done to strengthen regional presence and to provide more effective support to the country offices. The one-time costs of this structure implementation were estimated at $28.4 million and consisted of two major components: (a) human resources-related provisions ($16.3 million); and (b) establishment of regional and subregional offices ($12.1 million), which included the identification and design, renovation or alteration of premises and procurement of equipment.

79. During its visit to the Eastern Europe and Central Asia regional office, the Board noted terms of reference setting out UNFPA regional office objectives and functions. UNFPA, however, did not have a well-defined system and process to monitor the regional office's performance against the set objectives and indicators. There is a risk that management will not be able to determine the effectiveness of regional offices, identify risks on time and record lessons learned and make improvements.

80. The Board further noted that the terms of reference of regional offices provided that regional offices were required to provide leadership, guidance and oversight over country offices. However, the Board noted that regional offices did not provide oversight in other vital areas of operations like HACT, compliance with policies and procedures, submission of office management plans, documentation and submission of donor reports.

81. The Board also noted that that there were no adequate tools available (such as system reports) to regional offices to exercise oversight functions. Also, the terms of reference for regional offices did not detail the extent and areas that regional offices are required to provide oversight on, over country offices.

82. As reflected in the present report, reports of the Division for Oversight Services on country offices reflected a high number of country offices with unsatisfactory ratings. The Board considers that the Division's results indicate that regional offices did not provide the adequate guidance, support and oversight required by country offices. The Board's findings were consistent with the findings of the Division for Oversight Services on its audit of governance arrangements in support of country office programme delivery. The audit was aimed at assessing whether UNFPA country office programme delivery was efficiently and effectively supported by the UNFPA structure and allocation of resources, assignment of authorities and responsibilities, and existence and practicability of policies, procedures, guidance and tools, particularly in the context of the 2007 restructuring. The Division concluded that the risk management performance and governance arrangements in support of country office programme delivery were unsatisfactory, that is, the internal control, governance and risk management processes were either not established or not functioning well.

83. **The Board recommends that UNFPA: (a) provide clarity on the extent of oversight that regional offices should provide to country offices; (b) capacitate regional offices with staff and tools to enable them to carry out the oversight functions; and (c) design and implement the performance measure system to be used to measure the effectiveness and performance of regional offices.**

84. **The Board further recommends that UNFPA address the weaknesses in its regional office architecture, as recommended by the Division for Oversight Services.**

11. Procurement and contract management, including the Procurement Services Branch in Copenhagen

85. Goods and services are procured to support the organization's operations. A good procurement function ensures that the organization procures its requirements through a process that promotes fairness, transparency and value for money for the organization while adhering to the organization's policies and procedures.

86. The Procurement Services Branch is a specialized branch for contraceptives and related commodities and equipment for the programme countries. UNFPA receives a fee in respect of third-party procurement services at a rate established by the Executive Board of 5 per cent for the biennium 2010-2011. Third-party procurement transactions for 2010-2011 were $40.23 million compared to $58.57 million in 2008-2009.

87. The Board's review of UNFPA procurement activities and processes indicated weaknesses in a number of areas, including the specialist Procurement Services Branch.

Supplier evaluations

88. The evaluation of suppliers is an important function to ensure that UNFPA obtains value for money from its procurement activities by assessing the price versus quality of goods and services supplied, and timeliness of delivery, after-sales service and general cooperation. In its previous report (A/65/5/Add.7, paras. 230-232), the Board noted weaknesses in the performance of vendor assessments at country

offices and recommended that UNFPA comply with its policies and procedures regarding the evaluation of vendor performance.

89. The Board noted during the biennium that vendor performance assessments were not conducted by most of the country/regional offices. Out of 114 countries, only 20 country offices (18 per cent) fully completed the assessments, 35 per cent partially completed the assessments and 61 per cent did not complete the assessments.

90. UNFPA informed the Board that in 2011 the Procurement Services Branch developed a web-based vendor performance evaluation tool. The tool was ready in March 2011 and buyers started using it immediately after it was introduced. However, the tool had a few bugs which could not be fixed on time. In the interim, UNFPA continued to conduct vendor evaluation without using this tool and ensured that all buyers entered the supplier evaluation data in the tool.

91. **The Board reiterates its recommendation that UNFPA comply with its policies and procedures regarding the evaluation of vendor performance.**

92. **The Board further recommends that UNFPA expedite the correction of the system errors (bugs) on the vendor assessment tool.**

Third-party procurement balances

93. In its previous report (A/65/5/Add.7, paras. 341-360), the Board noted, with respect to the Procurement Services Branch, long-outstanding balances (both receivable and payable) relating to UNFPA third-party procurement transactions (procurement on behalf of governments and/or non-governmental organizations). The Board recommended that the Branch follow up on long-outstanding fund balances and liquidate them in a timely manner.

94. During the biennium, UNFPA changed its policy for third-party procurement, and since then has only placed procurement orders on behalf of a third party after receipt of funds, with the exception of UNDP, thus avoiding any balances due or payable to third parties. However, the Board noted that the Procurement Services Branch still had long-outstanding fund balances of $1,257,658, of which $919,385 had been outstanding since 2003. UNFPA informed the Board that $858,274 of the amount had been committed for purchases in 2012.

95. **The Board reiterates its prior recommendation that the Procurement Services Branch of UNFPA address its long-outstanding fund balances.**

Waivers of competitive bidding

96. In its prior year report (A/65/5/Add.7, paras. 366-371), the Board was concerned about instances where competitive bidding was not followed and waivers granted without complying with UNFPA procurement policies. The Board recommended that the UNFPA Procurement Services Branch comply with UNFPA procurement policies in its bidding procedures.

97. The Board noted that a total of 59 waivers of competitive bidding with a value of $10,683,483 were awarded for the current biennium. The Board's review of the conditions that resulted in the request for waivers indicated that some waivers were a result of poor procurement planning.

98. The Board is concerned at the continued approval of waivers without challenge by the Contract Review Committee. The Board is concerned that the grant of waivers for instances that are not genuine exigency undermines the transparency, fairness and integrity of the procurement process. It also promotes a poor culture of non-compliance with UNFPA policies and procedures that are in place.

99. **The Board recommends that UNFPA: (a) implement procedures to monitor the use of waivers and review the validity of the reasons provided by requesting units for waivers; and (b) adequately document and justify the use of waivers.**

Contract Review Committee submissions and ex post facto cases

100. Procurement procedures state that ex post facto cases should be rare instances where contracts were entered into without following proper procurement procedures and without submitting the contracts to the Contract Review Committee for review.

101. The Board noted that, on behalf of other business units, the Procurement Services Branch presented 33 ex post facto cases amounting to $6.67 million to the Contract Review Committee for retroactive review during the biennium. On review of ex post facto cases, the Board noted that some cases required ex post facto approval because the contracting units continued to transact with suppliers after the respective long-term agreements had expired, indicating lack of contract management control.

102. The Board further noted that the Procurement Services Branch lacked adequate procedures to identify and monitor contracts that require submissions to the Contract Review Committee and ex post facto cases. Some contracts may therefore not be reviewed by the Committee.

103. **The Board recommends that UNFPA strengthen the review of ex post facto cases and other submissions to the Contract Review Committee to limit the number of such cases.**

104. **The Board further recommends that UNFPA develop adequate contract management procedures to identify contracts that will expire to enable it to start the procurement process in good time.**

Identification of conflict of interest in the Contract Review Committee

105. The Board noted an instance where the Contract Review Committee did not address a conflict of interest in its process. The Chair of the Committee was the staff member of the unit submitting the procurement request. Where there is a conflict of interest, there is a risk that the procurement process will not be fair and objective.

106. **The Board recommends that the UNFPA Procurement Services Branch implement procedures that address potential conflicts of interest in its procurement process.**

12. Consultants, experts and temporary assistance

Use of service contracts

107. The Board reviewed the use of service contracts and noted weaknesses regarding the use of service contracts in the field:

(a) The UNFPA Nepal country office made excessive use of service contracts and had 35 service contracts, while 21 of these contract staff were appointed to fill core support services. Service contracts are for a short duration and their use in core functions destabilizes the operations of the country office when the contracts end, and it is not in compliance with UNFPA policies and procedures;

(b) At the Sudan country office, the Board noted that service contracts evaluations were not performed in a timely manner, increasing the risk of service contracts being retained without valid business reasons.

108. **The Board recommends that UNFPA Nepal review its service contracts to ensure that core functions are not performed by service contractors.**

109. UNFPA Nepal informed the Board that the approval for 100 series posts has now been obtained and they will be filled for January 2013 at the start of the new country programme.

110. **The Board further recommends that the Sudan country office perform service contracts evaluations and provide justifications for the continued use of contracts.**

13. Non-expendable property management

111. Non-expendable property consists of property and equipment valued at $1,000 or more per unit at the time of purchase and with a serviceable life of three years or more. As disclosed in note 7 to the financial statements, the value of non-expendable property holdings as at 31 December 2011 amounted to $55.17 million, a 5 per cent increase from the previous period's balance of $52.37 million.

Weaknesses in asset management

112. In its previous report (A/65/5/Add.7, paras. 253-267), the Board noted a number of weaknesses in asset management, including late submission of asset certifications; asset locations not detailed in the asset register; disposed-of assets not removed from the asset register; and assets not tagged. The Board recommended that UNFPA take steps to ensure that country offices submit asset certifications on time; update their asset register with correct asset location; update their asset register for disposed assets; and address the weaknesses in their inventory count procedures.

113. During the biennium under review, the Board continued to note weaknesses in asset management at headquarters and at the country offices, including the following:

(a) Asset certifications were submitted late by the country offices, some country offices did not perform physical asset counts and in other instances there was no evidence that the results of the physical count were reconciled with the asset register;

(b) Asset locations and asset descriptions were not detailed in the asset register;

(c) Obsolete assets amounting to $860,000 were included in the asset register;

(d) Some assets were not recorded in the asset register;

(e) Disposed-of assets amounting to $458,496 were not removed from the asset register;

(f) Assets valued at $284,621 were disposed of without proper approval;

(g) Assets amounting to $154,970 were recorded before they were actually received.

114. Weaknesses identified increase the risk of misstatement of the balance disclosed in the financial statements and misstatement on the take-on balance for IPSAS implementation.

115. **The Board reiterates its previous recommendation that UNFPA strengthen asset management controls in the field either (a) through reviewing its guidance available to country offices; or (b) through training on asset management. Its initiatives should focus on timely submission of asset certifications, improvements in asset identification and recording, and inventory count procedures.**

116. **The Board further recommends that UNFPA perform regular physical verification of assets to ensure accuracy and completeness of asset registers.**

14. Expendable property management

Disclosure of inventory in the financial statements

117. In its previous report (A/65/5/Add.7, paras. 290 and 291), the Board recommended that UNFPA capitalize its inventory in its financial statements and record inventory items held at country offices.

118. The Board observed that UNFPA disclosed the value of Global Contraceptive Commodity Programme stock in note 17 of the notes to the financial statements of $1.5 million (2009: $1.4 million), representing contraceptive stock held at manufacturers' premises. However, UNFPA made no disclosures of stock transferred to and held at UNFPA regional and country offices.

119. UNFPA informed the Board that it will start capitalizing its inventory in 2012 with the implementation of IPSAS. The Board is aware that the inventory module was not rolled out as of May 2012, and that that increases the risks of inaccurate inventory balances when UNFPA prepares its first annual accounts under IPSAS.

120. **The Board reiterates its previous recommendation that UNFPA disclose in the financial statements the value of unused expendable property at the end of the financial period in order to improve transparency, accountability and financial reporting, and in preparation for the implementation of the International Public Sector Accounting Standards.**

15. Human resources management

Vacancy rate and lead time in filling vacancies

121. In its previous report (A/65/5/Add.7, paras. 292-300), the Board was concerned about the UNFPA staff vacancy rate and the lead times to fill vacant positions because of the possible impact these might have on the implementation of UNFPA projects. The Board reiterated its previous recommendation that UNFPA

address vacant positions and shorten the lead time for filling vacancies to ensure that it has sufficient resources to achieve its programme objectives.

122. The Board noted that UNFPA had an overall vacancy rate of 16 per cent and that in some instances it took UNFPA more than 180 days to fill a vacant position from the start of the appointment process. On analysis of the vacancies, the Board noted that some of the posts were critical to the organization, in particular the implementation of programme, as they included posts at the Director level (D-1), while the most common vacancies were at the Professional level (P-5), which consisted of Technical/Programme Advisers.

123. UNFPA informed the Board that some posts were on hold because of restructuring and that the Executive Director had issued a business plan that proposed the redesign of some posts and conversion into entry-level positions in order to attract young talent into the organization.

124. **The Board reiterates its previous recommendation that UNFPA: (a) address vacant positions; and (b) shorten the lead time for filling vacancies and ensure that it has sufficient resources to achieve its programme objectives.**

125. UNFPA informed the Board that it has taken steps to expand its outreach to potential applicants, among others, through outreach recruitment missions; the creation of selected rosters; the development of a new careers website; and use of social media. Furthermore, in the past year, UNFPA has also engaged the services of an external search firm to assist in identifying candidates for senior-level vacancies. All those efforts are aimed at reducing the lead time in filling vacancies.

126. **The Board further recommendation that UNFPA expedite finalizing and action of its business plan to redesign some of the posts.**

Payroll reconciliations not reviewed regularly

127. UNFPA payroll function is outsourced to UNDP, which is responsible, among other things, for processing updates/changes to the payroll during the payroll cycle based on information supplied by UNFPA. UNDP also performs a test payroll run, validates the information before the final run, approves the payroll run and makes disbursements to UNFPA staff which are then posted to the UNFPA general ledger.

128. UNDP also prepares payroll reconciliations on a quarterly basis for UNFPA, but the Board noted that payroll reconciliations had not been performed since 2010. The Board considers that payroll reconciliations should be performed on a regular basis to minimize the risk faced by UNFPA lack of involvement in the payroll process.

129. **The Board recommends that UNFPA implement procedures that would require the preparation and review of payroll reconciliations, at least on a quarterly basis.**

Weaknesses in leave management

130. In its previous report (A/65/5/Add.7, paras. 301-314), the Board reported several deficiencies in UNFPA leave administration. The Board reiterated its recommendation that UNFPA improve its recording of attendance and leave, ensure that country offices maintain accurate and complete leave records and request its

common service provider — UNDP — to furnish detailed leave accrual reports which reconcile with the leave provision in the financial statements.

131. The Board continued to note weaknesses in leave management throughout UNFPA, including that: (a) manual leave records were not certified by the leave monitor for accuracy; (b) leave forms were not completed for leave taken; (c) manual leave balances which did not agree to the Atlas system balances; and (d) a lack of reconciliations between manual leave records and the system balances.

132. UNFPA informed the Board that from the beginning of 2012 it had introduced a leave management system (Eservice) that will address the leave management weaknesses.

133. **The Board reiterates its previous recommendation that UNFPA maintain accurate and complete leave records.**

134. **The Board further recommends that UNFPA expedite the process of reconciling the manual leave balance and the system balance to ensure accurate and complete leave balances for IPSAS opening balances.**

135. UNFPA informed the Board that in March 2012 all UNFPA offices were requested to certify Atlas leave balances as at 31 December 2011 and a[illegible]e them to manual records in preparation for IPSAS implementation opening balance.

16. Information technology

136. UNFPA uses the Atlas Enterprise Resource Planning system, which it co-owns with UNDP. The Board conducted an information system audit of the general controls in the information technology environment surrounding Atlas at UNDP headquarters in New York. The results of the audit are included in the Board's report on UNDP (A/67/5/Add.1). The Board reviewed user account management, information technology governance and security at UNFPA.

137. At the time of the information technology audit, the Board noted that:

(a) The functions of the Information Security Officer were performed by the UNFPA infrastructure security specialist; however, the job description of the infrastructure security specialist did not include responsibility for information security in terms of governance, policies and procedures, risk management, monitoring of compliance with the controls, and the responsibility to represent the Management Information System in strategic committees;

(b) UNFPA did not have an information technology governance framework in place. As a result, the Management Information Systems (MIS) unit did not regularly perform risk assessments, and risks were consequently not documented in a risk register to ensure that they would be quantified, tracked and effectively managed or mitigated;

(c) The Board noted that an approved Policy and Procedures Manual was in place to govern the information technology environment. However, the Manual was outdated, as it was last reviewed in March 2006. The Board further noted that the policy did not include: (i) actions to be taken in the event of a security breach; (ii) disciplinary measures; and (iii) ownership and classification of information;

(d) The Board noted that the Atlas application system was not configured to ensure a prudent segregation of duties between the Head of Office and the Directory

Focal Point. As a result, the duties of the Directory Focal Point and Head of Office in Myanmar, Geneva, Guatemala and Namibia were performed by the same person, thus allowing them to create and approve user profiles.

138. While those matters affected part of the biennium under review, UNFPA subsequently implemented all the related recommendations.

17. Internal audit function

139. Internal audit, performed by the UNFPA Division for Oversight Services, is essential to provide an independent assessment of the design, operation and effectiveness of the internal controls of an organization. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic and effective use of resources, and therefore contributes to a good internal controls environment in an organization.

Vacancies in the Internal Audit Department

140. The Division for Oversight Services has three components consisting of internal audit, evaluation and investigation. In 2011, the average vacancy rate in the Division was 8 per cent. At year-end, one post in internal audit and one in investigation were vacant.

Internal audit plan

141. According to the 2010 workplan of the Division, 21 assignments were planned and 14 assignments were completed, 2 were carried over to the 2011 calendar year and 5 were cancelled as a result of change in the risk matrix as approved by the Audit Advisory Committee.

142. According to the 2011 workplan, 16 assignments were planned to be conducted for the 2011 calendar year; 12 assignments were completed, 2 were still in draft and 2 were postponed. One assignment (Cognos Environment Review) was postponed at the request of management to complete the financial statement preparation, and the other assignment was postponed because of capacity in the Division.

143. The Board is of the view that cancellation and postponement of planned assignments result in audit areas identified through a risk process not being addressed on time.

144. **The Board recommends that the UNFPA Division for Oversight Services expedite the process of filling the vacant posts.**

Ratings on issued reports

145. The Division for Oversight Services rates its assessment results according to the effectiveness of risk management practices in the audited area. Of the 26 completed reports issued during the biennium 2010-2011, 15 (58 per cent) had "unsatisfactory" rating (meaning that internal controls and risk management practices were not established or functioning well), 6 were "partially satisfactory" (meaning that internal controls and risk management practices were established and functioning but needed improvements), and 4 were "satisfactory" (which means internal controls and risk management policies were established and functioning well). One did not have a rating as it was an advisory assignment.

146. Of the 15 reports with "unsatisfactory" rating, 10 reports related to inadequate controls and operations at UNFPA country offices, 1 related to the 2009 review of the national execution process, 1 to IPSAS, one related to contract management at headquarters, 1 to governance arrangements in support of country office programme delivery, and 1 to information and communication technology procurement and cost management.

147. **The Board considers that the findings of the Division for Oversight Services reflect deficiencies in the areas concerned and the Board underscores the need for UNFPA to address those deficiencies.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

148. UNFPA informed the Board that, in accordance with financial regulation 14.5, losses amounting to $209,764 ($144,000 in 2008/09) had been written off in respect of contributions receivable.

2. Ex gratia payments

149. As required by financial regulation 14.4, the Administration reported ex gratia payments for the period under review amounting to $90,000, made to 36 local staff members who were affected by the earthquake in Haiti.

3. Cases of fraud and presumptive fraud

150. UNFPA notified the Board of nine cases (2008-2009: 20 cases) of fraud and presumptive fraud during the biennium. Details of the cases are included in annex II.

D. Acknowledgement

151. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and members of his staff.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
(Lead Auditor)

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the United Kingdom of Great Britain and Northern Ireland

30 June 2012

Annex I

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2009[1]

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	Define measurable milestones for IPSAS implementation plan	27	2008-2009	X			
2	Take steps to address gaps in IPSAS implementation plan	31	2008-2009	X			
3	Consider IPSAS post-implementation activities	35	2008-2009	X			
4	Review reconciliations on a regular basis	41	2008-2009	X			
5	Reflect ageing for the other accounts receivables balances	44	2008-2009	X			
6	Clear all long-outstanding education grants	49	2006-2007		X		
7	Consider a revision to the separation processes	50	2006-2007		X		
8	Review the process with Global Payroll Services	53	2008-2009		X		
9	Monitor and follow up on accounts payable	58	2006-2007		X		
10	Guidance on how to analyse and review accounts	62	2008-2009	X			
11	Address the misclassifications of expenditure line items	65	2008-2009		X		
12	Follow-up with donors regarding unutilized funds	68	2008-2009		X		
13	Monitor donor reporting	72	2008-2009	X			
14	Financial closure of projects	76	2008-2009	X			
15	Valuation of the annual leave liability in IPSAS	87	2008-2009	X			
16	Validity, accuracy and completeness of the end-of-service liabilities data	90	2008-2009				X
17	Develop a funding plan for end-of-service liabilities	95	2008-2009	X			
18	Monitor and review office management plans	99	2008-2009	X			
19	Reconcile all country office bank accounts	106	2008-2009	X			
20	Controls to address the issue of Oman bank accounts	107	2008-2009	X			
21	Identify unapplied deposits	111	2008-2009	X			
22	Reflect staff advance payments	114	2008-2009				X
23	Petty cash controls	116	2006-2007				X
24	Consider independence of NEX auditors	128	2006-2007	X			
25	Engagement letters for NEX auditors	133	2006-2007	X			

[1] A/65/5/Add.7, chap. II.

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
26	Follow procurement process in appointing NEX auditors	134	2006-2007	X			
27	Submission of NEX audit plans	142	2008-2009	X			
28	Inclusion of projects to be audited in audit plan	149	2008-2009	X			
29	Review information captured on the NEX database	154	2008-2009	X			
30	Submission of NEX audit reports	159	2006-2008	X			
31	Address the discrepancies in the expected audit reports	160	2008-2009	X			
32	Improve the submission rate of NEX audit reports	161	2008-2009	X			
33	Accurately record information on the NEX database	165	2006-2007	X			
34	Address qualified audit opinions and unsupported amounts	175	2006-2007	X			
35	Correctly categorize qualified audit opinions	181	2006-2007	X			
36	Interface between Atlas and the NEX database	188	2008-2009	X			
37	Submission of certified financial forms	192	2008-2009	X			
38	Follow up on long-outstanding operating fund advances	197	2006-2007		X		
39	Reclassify credit balances in operating fund advances	198	2008-2009		X		
40	Monitor overspending on projects	201	2008-2009	X			
41	Record all minutes of the programme steering committee	205	2008-2009	X			
42	Review United Nations Development Assistance Framework	209	2008-2009	X			
43	Make payments based on obligating documents	215	2008-2009		X		
44	Mitigating controls before making payments where there are no obligating documents	220	2008-2009	X			
45	Maintain adequate documentation for vendor registration	225	2008-2009	X			
46	Controls to detect and prevent duplicated vendors	229	2008-2009	X			
47	Perform evaluation of vendor performance	232	2006-2007		X		
48	Maintain supporting documentation for procurement activities	237	2008-2009	X			
49	Prior determination of specifications for goods and services	238	2008-2009	X			
50	Record purchase order before procuring goods and services	241	2008-2009	X			
51	Manage bids-receiving process	244	2008-2009	X			
52	Mark invoices processed for payment	246	2008-2009	X			

	Summary of recommendation	Paragraph reference	Financial period first made	Implemented	Under implementation	Not implemented	Overtaken by events
53	Comply with disposal procedures	251	2006-2007			X	
54	Submission of asset certifications	256	2008-2009			X	
55	Update asset register with correct asset locations	262	2008-2009			X	
56	Reconcile asset register with the results count	267	2008-2009			X	
57	Maintain a record of attractive assets	270	2008-2009	X			
58	Update the status of assets in the asset register	273	2008-2009			X	
59	Comply with asset management policy	277	2008-2009	X			
60	Record all assets	281	2006-2007			X	
61	Capitalize the value of Global Contraceptive Commodity Programme stock	290	2008-2009			X	
62	Disclose value of expendable inventory	291	2008-2009			X	
63	Address vacant posts	296	2004-2005		X		
64	Shorten the lead time for filling vacancies	300	2004-2005		X		
65	Recording of leave transactions	309	2008-2009		X		
66	Improve the recording of attendance and leave	313	2004-2005		X		
67	Maintain accurate and complete leave records	314	2006-2007		X		
68	Improve the rate of submission of semi-annual reports (special service agreements)	318	2004-2005	X			
69	Country office to comply with policy on hiring and contracting of special service agreements	323	2008-2009	X			
70	Accounting for third-party procurement transactions	334	2006-2007	X			
71	Accounting for reimbursable procurement amount	335	2006-2007	X			
72	Updated reports on third-party balances	339	2006-2007	X			
73	Follow up on long-outstanding fund balances	346	2008-2009		X		
74	Deal with residual fund balances	347	2008-2009	X			
75	Resolve interest on residual fund balances	350	2008-2009	X			
76	Follow consistent approach for procurement for other United Nations agencies	359	2008-2009	X			
77	Recover all overspent amounts	360	2008-2009	X			
78	Address the discrepancies in the Global Contraceptive Commodity Programme	365	2008-2009	X			
79	Comply with bidding procedures	370	2006-2007		X		
80	Review identified cases to ensure they are in line with UNFPA rules and regulations	371	2008-2009	X			
81	Define relationship with insurance services providers	375	2008-2009	X			
82	Advise suppliers about online tracking system	379	2006-2007		X		
83	Submission of procurement plans	383	2004-2005	X			

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
84	Review open purchase orders	387	2006-2007	X			
85	Comply with policies on splitting orders	392	2008-2009	X			
86	Provide a status of cases report	395	2008-2009	X			
87	Classification of audit internal recommendations	401	2008-2009	X			
88	Division for Oversight Services review of lead time for issuing reports	405	2008-2009	X			
89	Submission of travel requests	424	2008-2009	X			
90	Develop and implement internal procedure on travel requests	425	2008-2009	X			
91	Submission of travel claims	429	2008-2009	X			
92	Signing common services memorandums of understanding	434	2008-2009	X			
93	Revision of the memorandum of understanding with UNDP Nigeria	436	2008-2009	X			
	Total			**64**	**18**	**11**	
	Percentage			**69**	**19**	**12**	

Annex II

Cases of fraud and presumptive fraud for the biennium 2010-2011

1. In 2010, the Division for Oversight Services issued the following reports containing allegations of fraud committed by third parties against the Organization:

(a) OAE-413-RWA-0021, regarding procurement fraud, staff member separated from service;

(b) OAE-414-JOR-0032, regarding a staff member accused of attempting to defraud the medical insurance company. This case was settled owing to irregularities in the investigation process that were pointed out during the proceedings of the United Nations Dispute Tribunal;

(c) OAE-415-TLS-0038, regarding fuel theft. The contract of the service contractor (driver) responsible for the theft was terminated;

(d) OAE-413-GNQ-0041, regarding fraud by a supplier. A staff member was censured for failing to properly monitor the payments made to the supplier;

(e) OAE-413-GHA-0046, not pursued as the alleged offender resigned before the initiation of the disciplinary process;

(f) OAE-413-MLI-0054, staff member separated from service as considered responsible for procurement fraud. The United Nations Dispute Tribunal declared that the available evidence did not support the Administration's determination; however, the disciplinary measure was upheld as the decision of the Administration was made also in response to serious procurement irregularities;

(g) OEA-414-SDN-0059, regarding procurement irregularities. The main person responsible was dismissed and the matter is currently being heard by the United Nations Dispute Tribunal. That was not classified as fraud although it would be possible to argue that it falls under that category. It should be borne in mind that this is a contentious matter and the Tribunal may also decide that no misconduct occurred;

(h) OAE-414-SDN-0067, regarding fraud by an implementing partner. Staff member censured for failing to monitor and report.

2. In 2011, the Division for Oversight Services issued the following report containing allegations of fraud committed by third parties against the Organization (416-USA-0095), regarding an education grant entitlement fraud. The Legal Office advised that the acts did not qualify as fraud. A disciplinary measure was imposed based on other grounds.

Chapter III
Certification of the financial statements

25 April 2012

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements.

The financial statements have been prepared in accordance with the United Nations system accounting standards and include certain amounts that are based on the management's best estimates and judgements.

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems. Further improvements are being implemented in specific areas.

The management provided the Internal Auditor with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and the Internal Auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, UNDP Office, which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UNFPA, in accordance with the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 115.3 (a).

(*Signed*) Subhash K. **Gupta**
Director
Division for Management Services

The Chair of the Board of Auditors
United Nations
New York

Chapter IV
Financial report for the biennium ended 31 December 2011

A. Introduction

1. The present report summarizes the information provided in financial statements of UNFPA for the biennium ended 31 December 2011.

2. The financial statements comprise four statements, five schedules and 19 notes which include information on the operations funded by both UNFPA unearmarked and earmarked resources.

3. Presentation of financial statements for the biennium 2010-2011 has considerably changed in comparison with the previous biennium in the light of the adoption of an IPSAS-inspired format and the implementation of a number of accrual accounting policies. Consequently, 2008-2009 figures have been presented consistently with the new presentation format.

B. Unearmarked resources

Revenue

4. Contribution revenue for the biennium was $948.8 million (2008-2009: $905.0 million). The increase of $43.8 million or 4.8 per cent is attributable to the continued support of donors to UNFPA. Exchange adjustments reflecting gains or losses on exchange incurred between the date the contribution is pledged and the date the contribution is received resulted in a net gain of $10.5 million (2008-2009: net loss of $6.7 million). In the current biennium, this item is shown together with foreign exchange gains or losses generated by other transactions. In 2010-2011, the overall effect is a net loss of $11.9 million (2008-2009: net gain of $15.4 million).

5. In 2010-2011, interest revenue was $6 million lower than the prior biennium at $18.7 million (2008-2009: $24.7 million) because of lower interest rates throughout the period.

6. In 2010-2011, other revenue totalled $72.9 million and comprised interest revenue, fees for support services, reimbursement of tax charges and miscellaneous revenue.

Expenses

7. Programme and biennial support budget expenses for the biennium ended 31 December 2011 increased, while "Other expenses" decreased, as follows:

(Millions of United States dollars)

	2010-2011	*2008-2009*	*Increase/(decrease)*
Programme activities	724.8	682.5	42.3
Biennial support budget	255.0	237.9	17.1
Other	25.7	28.2	(2.5)
Total	**1 005.5**	**948.6**	**56.9**

Programme expenses

8. The programme expenses ceiling was $757.9 million for the biennium ended 31 December 2011 (2008-2009: $734.7 million). Actual programme expenses for the biennium ended 31 December 2011 totalled $724.8 million (2008-2009: $682.5 million).

9. Programme expenses are summarized by implementing partner category as follows:

(Millions of United States dollars)

	2010-2011		*2008-2009*	
	$	*Percentage*	*$*	*Percentage*
UNFPA	467.4	64.5	452.3	66.2
Governments and NGOs	239.0	33.0	225.1	33.0
United Nations agencies	5.4	0.7	4.5	0.7
Other expenses*	13.0	1.8	0.6	0.09
Total programme expenses	**724.8**	**100.0**	**682.5**	**100.0**

* Other expenses include net currency revaluation adjustments and losses on exchange and allowances for doubtful debts; this expense category is not broken down by implementing agent.

10. The following United Nations entities executed projects funded by UNFPA in the biennium ended 31 December 2011:

- Department of Economic and Social Affairs of the Secretariat
- Economic Commission for Latin America and the Caribbean (ECLAC)
- Economic and Social Commission for Asia and the Pacific (ESCAP)
- Economic Commission for Europe (ECE)
- International Labour Organization (ILO)
- Food and Agriculture Organization of the United Nations (FAO)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- World Health Organization (WHO)
- United Nations Development Programme (UNDP)
- Office of the United Nations High Commissioner for Refugees (UNHCR)
- United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)
- United Nations Children's Fund (UNICEF)
- United Nations Development Fund for Women (UNIFEM)/UN-Women
- United Nations Institute for Training and Research (UNITAR)
- United Nations Office for Project Services (UNOPS)
- International Organization for Migration (IOM)

11. Note 16 (a) and (b) provides analyses of programme expenses by country and region.

Biennial support budget

12. The gross and net biennial support budget appropriations for the biennium ended 31 December 2011 were $274.5 million (2008-2009: $259.8 million) and $236.3 million (2008-2009: $235.8 million), respectively.

13. The actual biennial support budget expense for the biennium is summarized as follows:

(Millions of United States dollars)

	2010-2011	*2008-2009*
Gross biennial support budget expense	255.0	237.9
Credits to biennial support budget	(39.8)	(31.8)
Net biennial support budget expense	215.2	206.1
Total expense — unearmarked resources	**1 005.5**	**948.6**
Net biennial support budget as percentage of total expense	**21.4**	**21.7**

14. The increase of $8.0 million in credits to the biennial support budget is attributable to the increase in indirect costs charged to earmarked resources. Note 16 (c) to the financial statements provides a detailed analysis of the credits to the biennial support budget.

15. The unexpended balance of gross appropriations at 31 December 2011 was $19.6 million, representing 92.9 per cent utilization in the current biennium.

Additional security requirements

16. By decision 2004/27, the Executive Board approved the establishment of a security reserve to implement additional protective measures to safeguard UNFPA personnel and premises. In 2010-2011, a further $5.8 million was allocated from unearmarked resources to replenish the security reserve. During this biennium, expenses of $7.0 million were incurred against this funding (2008-2009: $7.3 million).

Implementation of International Public Sector Accounting Standards and the Enterprise Resource Planning system

17. In 2010-2011, $5.7 million was set aside for the implementation of the International Public Sector Accounting Standards (IPSAS) and the Enterprise Resource Planning (ERP) system. Of the $5.7 million, the amount set aside for IPSAS was $2.9 million. IPSAS expense of $3.5 million was incurred in the biennium 2010-2011 (2008-2009: $0.8 million). ERP expense of $3.5 million was incurred in 2010-2011 (2008-2009: $5.1 million). Cumulative expenses up to 31 December 2011 were $4.5 million for IPSAS and $27.6 million for the ERP system.

Fund balances and reserves

18. The net excess of revenue over expenses for the 2010-2011 biennium was $10.1 million (2008-2009: $35.9 million), after deduction of a $73.6 million net adjustment related to after-service health insurance liabilities and accrued end-of-service benefits (2008-2009: $14.7 million) and an addition of $3.2 million relating to a reduction in the level of the Operational Reserve (2008-2009: reduction of resource balance by $21.1 million).

19. The unearmarked resources balance includes two categories: designated fund balances and undesignated fund balances. As at the end of the biennium, the undesignated fund balance was $30.8 million (2009: $7.1 million) and the designated fund balance was $40.8 million (2009: $58.9 million). During the 2010-2011 biennium, transfers from undesignated to designated funds included $5.8 million for security requirements, $5.7 million for IPSAS and the ERP system and $5.9 million for headquarters relocation. At the end of the biennium, unused allocations were transferred back from designated to undesignated funds as follows: security reserve, $3.8 million; IPSAS and ERP, $2.4 million; regionalization, $4.6 million; and headquarters relocation, $0.3 million.

20. Designated fund balances at 31 December 2011 include $1.8 million (2009: $3.0 million) for procurement services and $38.8 million (2009: $37.7 million) from a private endowment trust.

Earmarked resources
Co-financing

21. Activities financed by co-financing funds are summarized below:

(Millions of United States dollars)

	2010-2011				
	Trust funds	*Thematic trust funds*	*Other trust funds*	*Total*	*Total*
Fund balances as at 1 January	183.7	66.6	10.5	260.8	211.1
Contributions	497.4	297	6.9	801.3	592.7
Programme expenses	418.4	214.3	7	639.8	(515.9)
Other revenue, expenses and adjustments	(40.9)	17.4	2.3	(21.2)	(29.0)
Fund balances as at 31 December	**221.8**	**166.7**	**12.7**	**401.1**	**258.9***

* The difference between this figure and the fund balances as at 1 January 2010 is due to the reclassification of the UN Cares Global Coordinator from the Junior Professional Officer programme to other trust funds ($1.4 million fund balance) and the reclassification of the $0.5 million fund balance from unearmarked to earmarked resources.

22. The balance of co-financing funds held at 31 December 2011 was $401.1 million (2009: $258.9 million).

23. Schedule B provides an analysis of co-financing funds by donor.

Procurement services

24. Procurement service receipts decreased from $58.9 million in the biennium ended 31 December 2009 to $56.7 million in 2011. From 2010, UNFPA only accounts for its service fee of 5 per cent of the receipts as its revenue. The balance at the end of the period represents net advances in respect of procurement activities yet to be performed. The cost of procurement activities decreased from $55.2 million in 2008-2009 to $40.2 million in 2010-2011.

25. Schedule C provides an analysis of procurement services by category of client.

Financial position

Assets and liabilities

26. At 31 December 2011, total current assets were $668.7 million (2009: $302.0 million) compared with total current liabilities of $153.2 million (2009: $70.9 million), giving a current ratio, which measures the organization's ability to meet its current obligations, of 4.4 (2009: 4.3).

27. Current assets are defined as the difference between "total assets" of $863.1 million, "long-term receivables" of $31.7 million and "investments with maturity beyond 1 year" of $162.7, for a total of $668.7 million. Current liabilities are defined as the difference between "total liabilities" of $349.8 million and "long-term liabilities" of $196.6 million, for a total of $153.2 million. The current ratio of 4.4 is defined as the ratio between current assets of $668.7 million and current liabilities of $153.2 million.

Cash and investments

28. At 31 December 2011, cash and investments with maturity within one year held by UNFPA totaled $581.6 million (2009: $263.4 million).

29. Note 4 provides an analysis of investments by security type and by fund or reserve.

Chapter V

Financial statements for the biennium ended 31 December 2011

Financial statements and schedules

Statement I

Statement of financial position as at 31 December 2011

(Thousands of United States dollars)

	Notes	*As at 31 December 2011*	*As at 31 December 2009*
Assets			
Current assets			
Cash and cash equivalents	3	9 052	12 500
Investments maturing within one year	4	572 564	250 915
Contributions receivable (exchange transactions)	5	955	–
Contributions receivable (non-exchange transactions)	5	60 289	3 272
Other current assets and prepayments	5	16 288	17 922
Operating fund advances	6	9 544	17 425
Total		**668 692**	**302 034**
Non-current assets			
Contributions receivable (non-exchange transactions)	5	31 660	–
Investments maturing after one year	4	162 710	327 508
Total		**194 370**	**327 508**
Total assets		**863 062**	**629 542**
Liabilities			
Current liabilities			
Accounts payable and accruals	8	146 746	65 938
Other current liabilities and deferred revenue	10	6 407	4 969
Total		**153 153**	**70 907**
Non-current liabilities			
Employee benefits	9	195 132	115 448
Other non-current liabilities and deferred revenue	10	1 535	452
Total		**196 667**	**115 900**
Total liabilities		**349 820**	**186 807**
Net assets		**513 242**	**442 735**

	Notes	As at 31 December 2011	As at 31 December 2009
Reserves and fund balances			
Operational reserve	11	90 704	93 887
Reserve for field accommodation	11	5 000	5 000
Total		**95 704**	**98 887**
Designated unearmarked fund balances	11	40 781	58 869
Undesignated unearmarked and earmarked fund balances		376 757	284 979
Unearmarked resources	11	(30 750)	7 142
Earmarked resources	Schedule B	407 507	277 837
Total reserves and fund balances		**513 242**	**442 735**

Statement 2

Statement of financial performance for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Notes	*2010-2011*	*2008-2009*
Contribution revenue			
Unearmarked contributions	12	948 798	905 022
Less: transfers to other revenue for reimbursement of tax charges	12, 13	(6 096)	–
Subtotal		**942 702**	**905 022**
Earmarked contributions	12	804 031	654 236
Less: refunds to donors	Schedule B, 12	(20 525)	–
Subtotal		**783 506**	**654 236**
Total contribution revenue		**1 726 208**	**1 559 258**
Other revenue	13	79 596	95 532
Total revenue		**1 805 804**	**1 654 790**
Expenses			
Funds utilized by implementing partners — Governments and NGOs	Schedules D, E	470 537	379 267
Funds utilized by implementing partners — United Nations agencies	Schedules D, E	7 128	7 398
Funds utilized by UNFPA	Schedules D, E	1 155 460	1 139 739
Other expenses	Schedules D, E, 15	15 235	2 528
Total expenses		**1 648 360**	**1 528 932**
Surplus for the biennium		**157 444**	**125 858**

Statement 3

Statement of changes in net assets for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Notes	*Fund balances*	*Reserves*	*Total net assets/equity*
Balance as at 31 December 2007		**292 569**	**77 796**	**370 366**
Movements in fund balances and reserves in 2008-2009				
Staff-related benefits		(14 654)	–	(14 654)
Transfers to operational reserve		(21 091)	21 091	–
Refunds to donors		(34 217)	–	(34 217)
Transfers within UNFPA resources				
Reserve for field accommodation		(34)	34	–
Other adjustments		(4 618)	–	(4 618)
Surplus/(deficit) for the period		125 892	(34)	125 858
Total movements during the period		**51 278**	**21 091**	**72 369**
Balance as at 31 December 2009		**343 847**	**98 887**	**442 735**
Movements in fund balances and reserves in 2010-2011				
Opening balance reclassified as liability	Schedule C, 2 (b) (i)	(16 312)	–	(16 312)
Staff-related benefits	11	(73 563)	–	(73 563)
Transfers from operational reserve	11	3 183	(3 183)	–
Transfers within UNFPA resources				
Reserve for field accommodation		(852)	852	–
Other adjustments		2 938	–	2 938
Surplus/(deficit) for the period		158 296	(852)	157 444
Total movements during the period		**73 690**	**(3 183)**	**70 507**
Balance as at 31 December 2011		**417 537**	**95 704**	**513 242**

Statement 4

Cash flow statement for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Notes	2010-2011	2008-2009
Cash flow from operating activities			
Surplus for the period	Statement 2	157 444	125 858
(Increase)/decrease in contributions receivable	5	(89 632)	(1 886)
(Increase)/decrease in operating fund advances	6	7 881	(4 246)
(Increase)/decrease in other current assets and prepayments	5	(4 589)	3 587
Increase/(decrease) in accounts payable and accruals	8	(20 243)	(24 717)
Increase/(decrease) in due to/from United Nations agencies	5, 8	80 948	(64 015)
Increase/(decrease) in employee benefits obligation	9	79 684	22 044
Increase/(decrease) in other liabilities and deferred revenue	10	2 522	(6 670)
Increase/(decrease) in advances for procurement activities	Schedule C, 8	26 325	–
Increase/(decrease) in fund balances and reserves	Statement 3	(86 937)	(53 486)
Net cash flow from operating activities		**153 403**	**(3 530)**
Cash flow from investing activities			
(Increase)/decrease in investments	4	(156 851)	15 320
Net cash flow from investing activities		**(156 851)**	**15 320**
Net increase/(decrease) in cash and cash equivalents		**(3 448)**	**11 789**
Cash and cash equivalents at the beginning of the period	3	**12 500**	**711**
Cash and cash equivalents end of the period	3	**9 052**	**12 500**

Schedule A

Unearmarked contributions — Status of contributions for the biennium ended 31 December 2011

(Thousands of United States dollars)

Donor	*Balance due to UNFPA at 1 January 2010*	*Adjustments for prior bienniums*	*Commitments for current biennium (contribution revenue 2010-2011)*	*Total contributions*	*Movements in contributions received in advance*	*Exchange gains/(losses)*	*Payments received*	*Balance due to UNFPA at 31 December 2011 (Note 5)*
Government								
Afghanistan	–	–	1	1	–	–	1	–
Albania	–	–	1	1	–	–	–	1
Algeria	–	–	10	10	(10)	–	–	–
Andorra	–	–	52	52	–	–	52	–
Angola	10	(5)	15	10	–	–	15	5
Antigua and Barbuda	2	–	2	2	–	–	–	4
Argentina	1	–	5	5	–	–	1	5
Armenia	–	–	4	4	–	–	4	–
Australia	–	–	17 700	17 700	–	–	17 700	–
Austria	–	–	2 626	2 626	–	25	2 651	–
Azerbaijan	11	(3)	10	7	–	–	10	7
Bahamas	1	(1)	2	1	–	–	1	1
Bahrain	1	–	–	–	–	–	–	1
Bangladesh	–	–	53	53	–	–	53	–
Barbados	–	–	10	10	(5)	–	5	–
Belgium	1 479	–	14 331	14 331	–	(166)	15 645	–
Belize	8	–	5	5	–	–	8	5
Benin	8	–	8	8	–	–	–	16
Bhutan	–	–	6	6	–	–	6	–
Bolivia	–	–	1	1	–	–	1	–
Botswana	9	–	21	21	–	–	30	–
Brazil	31	(11)	50	39	–	–	–	70
Burkina Faso	–	–	17	17	–	–	–	17
Burundi	–	–	2	2	–	–	2	–
Cambodia	–	–	12	12	–	–	12	–

Donor	*Balance due to UNFPA at 1 January 2010*	*Adjustments for prior bienniums*	*Commitments for current biennium (contribution revenue 2010-2011)*	*Total contributions*	*Movements in contributions received in advance*	*Exchange gains/(losses)*	*Payments received*	*Balance due to UNFPA at 31 December 2011 (Note 5)*
Cameroon	84	(20)	65	45	–	1	–	130
Canada	–	–	33 962	33 962	–	966	34 928	–
Central African Republic	8	(2)	–	(2)	–	–	–	6
Chad	4	–	45	45	–	–	–	49
Chile	–	–	10	10	–	–	15	(5)
China	–	–	2 100	2 100	–	–	2 100	–
Colombia	–	–	60	60	–	–	60	–
Comoros	2	–	2	2	–	–	3	1
Congo	151	(31)	111	81	–	(3)	52	176
Cook Islands	1	–	2	2	–	–	1	2
Costa Rica	1	–	11	11	–	–	12	–
Côte d'Ivoire	–	–	30	30	(30)	–	–	–
Croatia	–	–	25	25	–	–	25	–
Cuba	–	–	10	10	–	–	10	–
Cyprus	3	(2)	11	10	–	–	11	2
Czech Republic	–	–	20	20	–	–	20	–
Democratic Republic of the Congo	15	(10)	–	(10)	–	–	–	5
Denmark	–	–	76 025	76 025	–	(1 106)	74 919	–
Djibouti	2	(1)	3	2	–	–	3	1
Dominica	–	–	1	1	–	–	1	–
Dominican Republic	–	–	60	60	–	–	60	–
Ecuador	6	(2)	3	1	–	–	5	2
Egypt	113	–	118	118	–	(6)	225	–
El Salvador	–	–	1	1	–	–	–	1
Equatorial Guinea	–	–	138	138	(138)	–	–	–
Eritrea	–	–	6	6	–	–	6	–
Estonia	–	–	114	114	(38)	–	76	–
Ethiopia	7	(3)	2	(2)	–	(1)	4	–
Fiji	3	–	7	7	–	–	5	4
Finland	–	–	74 336	74 336	–	174	74 511	–

Donor	Balance due to UNFPA at 1 January 2010	Adjustments for prior bienniums	Commitments for current biennium (contribution revenue 2010-2011)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2011 (Note 5)
France	–	–	3 008	3 008	–	–	3 008	–
Gabon	109	–	(87)	(87)	–	(2)	21	(1)
Gambia	–	–	22	22	–	–	–	22
Georgia	–	–	6	6	–	–	6	–
Germany	–	–	41 471	41 471	–	–	41 471	–
Ghana	–	–	25	25	(25)	–	–	–
Greece	–	–	10	10	–	–	10	–
Grenada	–	–	–	–	–	–	–	–
Guatemala	–	–	15	15	(10)	–	–	5
Guinea	8	(4)	17	13	–	–	17	4
Guinea-Bissau	2	–	2	2	–	–	–	4
Guyana	2	(1)	1	–	–	–	1	2
Haiti	–	–	10	10	–	–	–	10
Honduras	–	–	4	4	–	–	4	–
Hungary	–	–	40	40	–	–	40	–
Iceland	–	–	272	272	–	–	172	100
India	–	–	991	991	–	–	991	–
Indonesia	–	–	113	113	–	–	78	35
Iran (Islamic Republic of)	60	–	60	60	–	–	44	76
Iraq	–	–	10	10	–	–	10	–
Ireland	–	–	7 959	7 959	–	–	7 959	–
Israel	–	–	40	40	(20)	–	20	–
Italy	–	–	1 837	1 837	–	(24)	1 813	1
Jamaica	1	–	1	1	–	–	2	–
Japan	–	–	50 878	50 878	–	–	50 878	–
Jordan	100	–	50	50	–	–	50	100
Kazakhstan	–	–	100	100	–	–	100	–
Kenya	10	–	20	20	–	–	19	10
Kuwait	–	–	20	20	–	–	20	–
Lao People's Democratic Republic	2	–	1	1	–	–	2	–

Donor	Balance due to UNFPA at 1 January 2010	Adjustments for prior bienniums	Commitments for current biennium (contribution revenue 2010-2011)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2011 (Note 5)
Lesotho	5	–	6	6	–	–	6	5
Liberia	10	–	20	20	–	–	–	30
Liechtenstein	–	–	45	45	–	–	24	21
Luxembourg	–	–	7 306	7 306	–	2	7 309	–
Madagascar	16	(16)	3	(14)	–	–	3	–
Malawi	7	(3)	–	(3)	–	–	–	4
Malaysia	–	–	430	430	(15)	–	415	–
Maldives	5	–	10	10	–	–	10	5
Mali	27	(13)	13	1	–	(1)	–	25
Marshall Islands	–	–	3	3	–	–	3	–
Mauritania	4	–	7	7	–	–	11	–
Mauritius	–	–	7	7	–	–	7	–
Mexico	–	–	180	180	–	–	180	–
Micronesia, Federated States of	–	–	3	3	–	–	3	–
Monaco	–	–	40	40	–	–	40	–
Mongolia	4	–	6	6	–	–	11	(1)
Montenegro	–	–	–	–	–	–	–	–
Morocco	10	–	10	10	–	–	21	–
Mozambique	2	–	–	–	–	–	–	2
Myanmar	1	–	–	–	–	–	1	–
Namibia	–	–	1	1	(1)	–	–	–
Nepal	–	–	15	15	–	–	15	–
Netherlands	–	–	138 611	138 611	–	(4 155)	134 456	–
New Zealand	–	–	8 998	8 998	–	–	8 998	–
Nicaragua	–	–	4	4	–	–	4	–
Niger	20	–	15	15	–	–	–	35
Nigeria	–	–	187	187	(187)	–	–	–
Norway	–	–	113 281	113 281	–	(2 035)	111 247	–
Occupied Palestinian Territory	–	–	1	1	–	–	1	–
Oman	26	–	20	20	–	–	20	26

Donor	Balance due to UNFPA at 1 January 2010	Adjustments for prior bienniums	Commitments for current biennium (contribution revenue 2010-2011)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2011 (Note 5)
Pakistan	–	–	1 082	1 082	–	–	549	533
Palau	–	–	1	0	–	–	1	–
Panama	–	–	20	20	–	–	20	–
Papua New Guinea	8	–	9	9	–	–	–	16
Paraguay	–	–	2	2	–	–	2	–
Peru	4	(2)	–	(2)	–	–	–	2
Philippines	95	(23)	75	52	–	1	86	61
Poland	–	–	10	10	–	–	10	–
Portugal	–	–	724	724	–	–	724	–
Qatar	–	–	60	60	–	–	60	–
Republic of Korea	9	(10)	186	176	–	–	186	(1)
Republic of Moldova	–	–	3	3	–	–	3	–
Romania	–	–	21	21	–	–	21	–
Russian Federation	–	–	600	600	–	–	600	–
Rwanda	1	–	2	2	–	–	2	1
Saint Lucia	2	(1)	–	(1)	–	–	–	1
Saint Vincent and the Grenadines	–	–	–	(0)	–	–	–	–
Samoa	4	(4)	6	2	–	–	3	3
Sao Tome and Principe	–	–	30	30	–	(1)	20	9
Saudi Arabia	700	–	1 000	1 000	–	–	1 700	–
Senegal	58	(18)	–	(18)	–	0	–	40
Serbia	1	–	–	(0)	–	–	1	–
Seychelles	–	–	3	3	–	–	3	–
Sierra Leone	39	(21)	15	(6)	–	–	–	33
Singapore	–	–	10	10	–	–	10	–
Slovakia	–	–	18	18	–	–	18	–
Slovenia	–	–	43	43	(43)	–	–	–
Solomon Islands	1	–	2	2	(1)	–	–	1
Somalia	–	–	–	(0)	–	–	–	–
South Africa	–	–	54	54	–	1	56	–

Donor	Balance due to UNFPA at 1 January 2010	Adjustments for prior bienniums	Commitments for current biennium (contribution revenue 2010-2011)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2011 (Note 5)
Spain	–	–	37 419	37 419	–	–	37 419	–
Sri Lanka	–	–	36	36	–	–	36	–
Suriname	4	–	2	2	–	–	–	6
Swaziland	–	–	20	20	–	–	10	10
Sweden	–	–	127 704	127 704	–	253	127 958	(1)
Switzerland	–	–	26 553	26 553	–	2 772	29 325	–
Syrian Arab Republic	–	–	23	23	–	–	23	–
Thailand	–	–	192	192	–	–	192	–
The former Yugoslav Republic of Macedonia	1	–	6	6	–	–	–	6
Timor-Leste	–	–	6	6	–	–	6	–
Togo	6	–	13	13	–	–	20	(1)
Tokelau	–	–	5	5	–	–	5	–
Trinidad and Tobago	5	–	10	10	–	–	5	10
Tunisia	–	–	35	35	–	–	35	–
Turkey	–	–	300	300	–	–	300	–
Tuvalu	3	–	6	6	–	–	–	9
Uganda	–	–	20	20	–	–	10	10
Ukraine	4	(2)	1	(1)	–	–	–	3
United Kingdom of Great Britain and Northern Ireland	–	–	62 864	62 864	–	(428)	62 436	–
United Arab Emirates	–	–	10	10	–	–	10	–
United Republic of Tanzania	6	–	8	8	–	–	8	6
United States of America	–	–	88 400	88 400	–	–	88 400	–
Uruguay	10	–	3	3	–	–	3	10
Uzbekistan	–	–	2	2	(1)	–	1	–
Vanuatu	–	–	5	5	–	–	5	–
Venezuela (Bolivarian Republic of)	10	–	–	–	–	–	–	10
Viet Nam	9	–	9	9	–	–	18	–
Yemen	–	–	55	55	–	–	22	33

Donor	Balance due to UNFPA at 1 January 2010	Adjustments for prior bienniums	Commitments for current biennium (contribution revenue 2010-2011)	Total contributions	Movements in contributions received in advance	Exchange gains/(losses)	Payments received	Balance due to UNFPA at 31 December 2011 (Note 5)
Zambia	4	–	8	8	–	–	–	12
Zimbabwe	–	–	20	20	–	–	20	–
Private contributions and other	–	–	289	289	–	–	289	–
Subtotal	**3 371**	**(211)**	**946 341**	**946 130**	**(524)**	**(3 733)**	**943 397**	**1 847**
Government contribution to local office costs	–	–	998	998	–	–	998	–
Other	–	(120)	1 459	1 339	–	–	1 339	–
Total	**3 371**	**(331)**	**948 798**	**948 467**	**(524)**	**(3 733)**	**945 734**	**1 847**
Less: adjustment for unrealized exchange gains/(loss) and other rounding adjustments	(8)							(38)
Contribution receivable at 31 December	**3 363**							**1 809**

Notes:

[1] This schedule gives a breakdown by country of contribution revenue and exchange gains/(losses) reported in statement 2. It also provides information on contributions receivable as at the end of the biennium (statement 1).

[2] Balances, adjustments, commitments for the current biennium, payments and/or commitments for future years for less than $500 from Kiribati, Morocco, Myanmar, Niue, Palau, Suriname, Tajikistan and Tonga are rounded to zero.

[3] The opening balance is changed as a result of the reclassification of a claim against the Government of Slovakia for costs incurred in the cancelled relocation of the regional office to Bratislava, previously shown under accounts receivable.

Schedule B

Earmarked contributions — Co-financing revenue, expenses and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Fund balances at January 2010	*Contributions*	*Other revenue and expenses*[a]	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December 2011*	*Contribution receivable at 31 December 2011 (Note 5)*
Co-financing funds									
African Development Bank	971	178	–	(14)	12	1 147	1 109	38	–
Algeria	65	310	–	(252)	–	123	123	–	–
Americans for UNFPA	399	641	–	–	(165)	875	535	340	161
Andorra and Monaco	73	184	–	–	–	257	161	97	–
Anesvad Foundation	–	756	–	–	–	756	162	594	501
Arab Gulf Programme for Development (AGFUND)	50	98	–	(40)	–	107	104	3	–
Australia	7 543	25 286	2	(21)	(215)	32 595	21 012	11 584	1 558
Austria	256	–	–	–	(18)	238	137	101	–
Bahrain	65	–	–	–	–	65	–	65	–
Belgium	445	–	–	(14)	(120)	310	6	304	–
Belize	2	50	–	–	–	52	45	6	–
Bolivia (Plurinational State of)	14	–	–	–	(14)	–	–	–	–
Botswana	6	171	–	–	(3)	173	91	82	–
Boyner Holding and Group Companies	1	198	–	–	–	198	196	2	–
Brazil	516	1 463	–	(95)	(2)	1 882	1 060	822	–
C. A. Ultimas Noticias	–	1 512	–	–	–	1 512	1 421	90	–
Cameroon	410	697	–	–	–	1 107	977	130	–
Canada	6 088	6 200	–	(174)	(949)	11 165	8 845	2 320	–
Centro Latinoamericano Salud y Mujer (Celsam)	30	60	–	–	–	90	88	2	–
Central African Republic	11	–	–	–	(11)	–	–	–	–
Chile	6	–	–	–	(6)	–	–	–	–
Colombia	4 122	10 756	–	(41)	(10)	14 827	13 041	1 786	466
Columbia University	166	604	–	(187)	–	582	582	–	–
Common Humanitarian Fund	365	12 331	–	(14)	–	12 682	10 989	1 694	–

	Fund balances at January 2010	Contributions	Other revenue and expenses[a]	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances at 31 December 2011	Contribution receivable at 31 December 2011 (Note 5)
Côte d'Ivoire	464	1 563	–	–	–	2 028	1 097	931	–
Czech Republic	–	132	–	–	–	132	–	132	–
Dance4Life International Foundation	1	–	–	–	(1)	–	–	–	–
Denmark	2 647	10 571	2	(308)	–	12 912	4 906	8 005	2 185
Department of Economic and Social Affairs of the Secretariat	64	–	–	(2)	–	62	62	–	–
Dogus Cocuk	39	–	–	(20)	–	18	18	–	–
Dominican Republic	70	376	–	–	–	447	357	90	–
Drosos Foundation	–	662	–	–	–	662	234	428	196
Economic Commission for Latin America and the Caribbean	15	–	–	–	(15)	–	–	–	–
Eczacibasi Girisim Pazarlama-Turkey	–	19	–	–	–	19	18	1	–
Egypt	192	24	–	–	(91)	124	29	95	–
ELMA Relief Foundation	–	500	–	–	–	500	–	500	–
Equatorial Guinea	17	502	–	(2)	(14)	502	268	234	–
European Commission	9 490	30 054	–	(1 105)	(4 333)	34 106	24 182	9 925	72
European Commission-Reproductive Health Initiative for Youth in Asia	267	–	–	–	(267)	–	–	–	–
FARMATODO (Venezuela)	187	251	–	–	–	438	326	113	–
FEMAP	19	–	–	–	–	19	–	19	–
Finland	4 166	5 660	1	–	(105)	9 721	5 506	4 215	2 633
Ford Foundation	259	600	–	–	–	859	434	425	–
Foundation Orange	41	242	–	(40)	–	242	168	74	–
France	232	8 498	–	–	(10)	8 720	1 085	7 635	136
Fundación Cadena Capriles	–	196	–	–	–	196	189	7	–
Gabon	101	193	–	–	–	295	200	95	–
Gates Foundation	1 031	2 442	–	(4)	–	3 468	898	2 569	705
Georgia	1	1 337	–	(181)	–	1 156	1 156	–	75
German Development Cooperation	752	89	–	(35)	–	806	806	–	–
Germany	1 104	6 699	–	(208)	(1)	7 593	4 940	2 653	1 292

	Fund balances at January 2010	*Contributions*	*Other revenue and expenses*[a]	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December 2011*	*Contribution receivable at 31 December 2011 (Note 5)*
Global Fund to Fight AIDS, Tuberculosis and Malaria	1 027	814	–	(558)	–	1 284	752	532	359
Global Opportunity Fund	4	–	–	(4)	–	–	–	–	–
Guatemala	1 783	1 161	–	–	(3)	2 942	2 941	1	–
H & M Hennes & Mauritz AB	588	484	–	–	–	1 071	754	318	–
Hewlett Foundation	–	1 000	–	–	–	1 000	483	517	500
Heydar Aliyev Foundation	46	–	–	–	(2)	44	44	–	–
Iceland	10	200	–	–	–	210	123	87	–
International Bank for Reconstruction and Development	1 366	300	–	(706)	(660)	300	216	84	–
International Planned Parenthood Federation (IPPF)	–	279	–	–	–	279	181	98	–
Ireland	609	1 051	–	(60)	(91)	1 509	688	820	–
Italy	2 486	1 417	–	(10)	964	4 857	2 410	2 447	–
Jamaica	*1*	*249*	–	–	–	*249*	*227*	*23*	–
Japan	4 032	6 000	–	(1 810)	–	8 221	7 613	608	–
Japanese Trust Fund for Inter-Country NGO and Parliamentary Activities	2 336	2 000	–	(95)	65	4 306	1 411	2 895	–
Johnson & Johnson, Ltd.	67	–	–	–	(9)	58	58	–	–
Kazakhstan	–	100	–	–	–	100	–	100	–
LaSOTICI Foundation	4	151	–	–	–	155	130	25	–
La Fondation Bank of Africa	75	–	–	(4)	–	71	71	–	–
Lebanon	219	177	–	(15)	–	381	246	136	–
Levi Strauss	1	–	–	–	(1)	–	–	–	–
Liverpool School of Tropical Medicine (LSTM)	–	115	–	–	–	115	51	64	46
Luxembourg	13 075	8 675	1	(271)	(47)	21 432	16 779	4 654	775
MacArthur Foundation	107	850	–	7	–	963	955	8	–
Marie Stopes International	17	15	–	–	–	32	1	31	–
MEXFAM	5	–	–	–	–	5	–	5	–
Mexico	4 535	968	–	–	–	5 504	2 645	2 859	–
Morocco	1 563	1 333	–	–	(11)	2 885	839	2 046	–

	Fund balances at January 2010	*Contributions*	*Other revenue and expenses*[a]	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December 2011*	*Contribution receivable at 31 December 2011 (Note 5)*
Multi-Donor — Afghanistan	931	–	–	–	(931)	–	–	–	–
Multi-Donor — Azerbaijan	1	–	–	–	(1)	–	–	–	–
Multi-Donor — Bangladesh	843	6 550	–	–	–	7 393	3 267	4 126	–
Multi-Donor — Burkina Faso	418	1 625	–	–	34	2 076	942	1 135	–
Multi-Donor — Ecuador	20	84	–	–	33	137	136	–	–
Multi-Donor — Egypt	176	299	–	–	72	548	482	66	12
Multi-Donor — Eritrea	429	320	–	–	–	749	692	57	–
Multi-Donor — Female Genital Mutilation/Cutting	2 492	6 075	–	–	–	8 567	7 160	1 407	1 054
Multi-Donor — Georgia	30	164	–	–	146	340	317	23	–
Multi-Donor — Guinea-Bissau	19	625	–	–	(24)	620	173	447	398
Multi-Donor — Haiti	–	3 936	–	(291)	(91)	3 554	3 324	230	–
Multi-Donor — Honduras	47	141	–	–	–	188	183	5	–
Multi-Donor — Indonesia	–	144	–	–	–	144	110	35	–
Multi-Donor — Kenya	320	525	–	(12)	–	834	412	421	–
Multi-Donor — Liberia	470	1 776	–	–	–	2 246	1 009	1 238	–
Multi-Donor — Madagascar	–	437	–	(22)	–	414	414	–	–
Multi-Donor — Morocco	–	55	–	–	52	107	107	–	–
Multi-Donor — Myanmar	–	–	–	–	580	580	543	37	–
Multi-Donor — Nepal	152	–	–	–	–	152	151	1	–
Multi-Donor — Office of Results-Based Management	48	–	–	–	(48)	–	–	–	–
Multi-Donor — Philippines	128	–	–	(151)	–	(23)	(23)	–	–
Multi-Donor — Sexual and Reproductive Health Branch	–	6 387	–	–	–	6 387	81	6 306	–
Multi-Donor — Sierra Leone	459	2 106	–	–	–	2 565	2 359	205	–
Multi-Donor — Solomon Islands	370	–	–	–	–	370	333	37	–
Multi-Donor — Sri Lanka	–	54	–	–	–	54	30	24	–
Multi-Donor — Thematic Trust Fund for Maternal Health	21 285	25 722	551	10	5 891	53 459	36 355	17 104	–
Multi-Donor — Thematic Trust Fund for Obstetric Fistula	3 644	310	165	–	4 694	8 812	7 667	1 145	–

	Fund balances at January 2010	*Contributions*	*Other revenue and expenses*[a]	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December 2011*	*Contribution receivable at 31 December 2011 (Note 5)*
Multi-Donor — Thematic Trust Fund for Reproductive Health Commodity Security	41 122	270 964	1 965	–	4 797	318 848	170 308	148 540	30 351
Multi-Donor — Thematic Trust Fund for Tsunami	580	–	–	–	(580)	–	–	–	–
Multi-Donor — Timor-Leste	194	–	–	–	–	194	194	–	–
Multi-Donor — Tunisia	36	8	–	–	–	44	42	2	–
Multi-Donor — Turkey	48	993	–	–	(2)	1 039	291	749	–
Multi-Donor — Uganda	–	10 297	–	–	–	10 297	7 263	3 034	–
Multi-Donor — Venezuela (Bolivarian Republic of)	19	–	–	13	(19)	13	13	–	–
Multi-Donor — Zimbabwe	11	668	–	–	–	680	668	11	–
Netherlands	4 404	5 532	3	(788)	(68)	9 083	7 108	1 975	–
New Zealand	1 229	386	–	–	(70)	1 545	1 060	484	–
Nigeria	1 771	4 040	–	(189)	–	5 622	1 746	3 876	2 207
Noble Energy	–	107	–	–	–	107	74	33	–
NORAD	281	1 418	–	(178)	1	1 522	1 522	–	–
Norway	4 567	13 189	–	(1 148)	(1)	16 607	15 140	1 468	–
Office for the Coordination of Humanitarian Affairs of the Secretariat	3 004	21 689	–	(1 834)	(9)	22 849	19 479	3 370	427
Oman	186	–	–	–	–	186	19	168	–
United Nations Operation in Côte d'Ivoire	2	–	–	(2)	–	–	–	–	–
Organization of Petroleum Exporting Countries	53	–	–	(53)	–	–	–	–	–
Oxfam	22	81	–	66	(1)	168	135	33	–
Packard Foundation	10	–	–	–	(10)	–	–	–	–
Panama	21	401	–	(18)	–	404	404	–	–
Paraguay	47	–	–	34	(81)	–	–	–	–
Peacebuilding Fund	2 466	7 528	–	(1 304)	–	8 690	5 762	2 928	–
Peru	637	–	–	(637)	–	–	–	–	–

	Fund balances at January 2010	Contributions	Other revenue and expenses[a]	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances at 31 December 2011	Contribution receivable at 31 December 2011 (Note 5)
Private	–	5	–	–	–	5	–	5	–
Qatar	–	179	–	–	–	179	68	111	–
Real Medicine Foundation	–	238	–	–	–	238	201	36	–
Republic of Korea	23	–	–	(23)	–	–	–	–	–
Romania	50	–	–	–	(12)	38	38	–	–
Sao Tome and Principe	36	74	–	–	–	109	98	11	–
Saudi Arabia	245	1 500	–	–	–	1 745	487	1 258	1 000
Sierra Leone	4 024	2 225	–	–	–	6 249	4 684	1 565	–
Spain	18 652	24 203	–	(381)	(14 029)	28 446	23 443	5 003	–
Sweden	2 913	16 897	–	151	–	19 961	9 354	10 607	3 570
Switzerland	392	679	–	(29)	(3)	1 040	561	479	–
Syrian Arab Republic	1 029	2 969	–	–	(4)	3 993	2 255	1 738	–
The Humanitarian Coordinator	18	688	–	(60)	8	654	654	–	–
Ukraine	138	–	–	(138)	–	–	–	–	–
UN-Women	110	740	–	(5)	–	845	264	582	85
UNAIDS	4 419	32 624	1	(211)	(15)	36 816	26 019	10 797	10 647
United Nations Democracy Fund	184	–	–	(2)	–	182	141	42	–
United Nations Development Group Iraq Trust Fund	6 354	3 660	–	(88)	–	9 926	4 498	5 428	–
UNDP	24 631	63 193	30	(1 308)	–	86 546	66 427	20 120	209
UNICEF	2 213	5 376	–	(204)	(57)	7 328	4 895	2 433	64
United Kingdom of Great Britain and Northern Ireland	6 581	53 520	–	(2 117)	(184)	57 800	16 331	41 469	25 487
United Kingdom Trust Fund for Reproductive Health Commodities Security Programme	30	–	–	–	(30)	–	–	–	–
United Nations Fund for International Partnerships (UNFIP)	888	2 663	–	(81)	(79)	3 390	3 033	357	–
United Nations Trust Fund for Human Security	3 811	5 105	–	(2 437)	–	6 479	3 741	2 738	1 591
UNODC	455	498	–	(33)	–	920	920	–	–
UNOPS	296	831	–	–	–	1 127	1 006	121	–

	Fund balances at January 2010	*Contributions*	*Other revenue and expenses*[a]	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December 2011*	*Contribution receivable at 31 December 2011 (Note 5)*
Uruguay	642	1 783	–	–	–	2 425	2 181	243	–
USAID	361	11 950	–	(449)	–	11 861	10 368	1 494	1 136
United States Civilian Research and Development Foundation (CRDF)	–	–	111	–	–	111	43	68	–
Venezuela (Bolivarian Republic of)	2	5 077	–	–	(2)	5 077	1 750	3 327	–
Virgin Unite	4	844	–	–	184	1 033	509	523	212
WHO	1 668	2 228	–	(36)	–	3 860	3 468	392	–
Women's Missionary Society of the African Methodist Episcopal Church	25	–	–	–	(7)	18	18	–	–
Yapi Kredi Bank Turkey	1	–	–	–	(1)	–	–	–	–
Yemen	317	–	–	(61)	(60)	196	196	–	–
Zonta International Foundation	107	600	–	–	–	707	465	242	125
Co-financing funds	**250 328**	**794 428**	**2 830**	**(20 305)**	**(6 063)**	**1 021 218**	**632 750**	**388 468**	**90 233**
Other trust funds									–
Cooperation with Oman	(42)	852	–	–	–	811	809	2	–
ePAS for UNICEF	53	450	–	–	–	503	283	220	–
Exchange adjustments	–	–	–	(220)	2 133	1 913	–	1 913	–
Global Contraceptive Commodity Programme	5 000	2 622	(699)	–	–	6 923	1 923	5 000	173
Population Award	1 802	–	50	–	–	1 852	78	1 774	–
Rafael M. Salas Endowment Fund	1 132	–	32	–	–	1 164	101	1 062	–
Small contribution agreements[b]	529	1 690	61	–	645	2 925	1 760	1 165	16
Donor Reporting Resource	550	–	–	–	158	708	172	536	–
UN Cares Global Coordinator[c]	1 411	1 290	–	–	61	2 763	1 890	872	–
United Nations Foundation Support Office	31	–	7	–	65	104	–	104	–
Other trust funds	**10 467**	**6 904**	**(549)**	**(220)**	**3 062**	**19 664**	**7 016**	**12 648**	**189**
Total	**260 794**	**801 332**	**2 281**	**(20 525)**	**(3 000)**	**1 040 882**	**639 766**	**401 116**[d]	**90 421**

(Footnotes on following page)

(Footnotes to Schedule B)

[a] Other revenue and expenses are shown separately (schedule E).

[b] An amount of $529,000 was reclassified from regular resources to other resources as of 1 January 2010.

[c] The UN Cares Global Coordinator was reclassified from the Junior Professional Officer programme to "Other trust funds" in 2011.

[d] As disclosed on statement 1, undesignated earmarked fund balances comprise:

(Millions of United States dollars)

Earmarked undesignated fund balances	*2010-2011*	*2008-2009*
Co-financing	401.1	258.9[e]
Junior Professional Officer programme	2.0	2.5
Procurement activities	4.4	16.4
Total	**407.5**	**277.8**

[e] The difference between this figure and the total value of "Fund balances at 1 January 2010" in the table is due to notes b and c above.

Schedule C

Procurement services for the biennium ended 31 December 2011

(Thousands of United States dollars)

Third-party procurement	*Fund balances at 1 January 2010 reclassified as liability*	*Receipts for procurement services*	*Other revenue and expenses*	*Transfer and other adjustments*	*Refunds*	*Total funds available*	*Cost of procurement services*	*Net advances at 31 December 2011*
Institution								
Governments	3 778	16 124	(66)	(621)	(219)	18 996	(14 853)	4 143
UNDP	(254)	5 292	(1)	88	(51)	5 075	(4 257)	817
Other United Nations agencies	(395)	653	–	417	(99)	576	(571)	6
Intergovernmental institutions	12 343	33 849	49	(1 221)	(4 162)	40 858	(19 719)	21 140
NGOs	840	747	–	(125)	(415)	1 047	(828)	219
Total	**16 312**	**56 666**	**(17)**	**(1 463)**	**(4 946)**	**66 552**	**(40 227)**	**26 325**

(Thousands of United States dollars)

Procurement administrative services	*Fund balances at 1 January 2010*	*Other revenue and expenses*	*Support service fee*	*Transfer and other adjustments*	*Total funds available*	*Expenses*	*Fund balances at 31 December 2011*
Procurement services-administration	–	421	2 965	–	3 386	(3 386)	–
Procurement services-Denmark	119	–	–	68	187	(118)	69
Total	**119**	**421**	**2 965**	**68**	**3 573**	**(3 504)**	**69**

Schedule D

Unearmarked resources for the biennium ended 31 December 2011

(Thousands of United States dollars)

Revenue	*Note*	*2010-2011*	*2008-2009*
Contribution revenue — unearmarked	Schedule A, 12	948 798	905 022
Less: transfer to other revenue	12	(6 096)	–
Other revenue	13	72 856	78 785
Total revenue		**1 015 558**	**983 807**

		Programme activities		*Biennial support budget*		*Other (regionalization, Atlas, ERP, security)*		*Total*	
Expenses		*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*
Funds utilized by Governments and NGOs		238 974	225 149	–	–	–	–	238 974	225 149
Funds utilized by United Nations agencies		5 493	4 510	–	–	–	–	5 493	4 510
Funds utilized by UNFPA		467 356	452 262	254 927	237 917	25 721	28 150	748 004	718 329
Other expenses	15	13 002	578	32	3	(2)	–	13 032	581
Total expenses	16	**724 825**	**682 499**	**254 959**	**237 920**	**25 719**	**28 150**	**1 005 503**	**948 569**
Surplus for the biennium	11							**10 055**	**35 238**

Schedule E

Earmarked resources for the biennium ended 31 December 2011

(Thousands of United States dollars)

Revenue	*Note*	*2010-2011*	*2008-2009*
Contribution revenue-earmarked	12	804 031	654 236
Less: refunds to donors	Schedule B, 12	(20 525)	–
Other revenue	13	6 740	16 747
Total revenue		**790 246**	**670 983**

		Co-financing		*Junior Professional Officers*		*Procurement*		*Total*	
Expenses		*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*
Funds utilized by Governments and NGOs		231 563	154 118	–	–	–	–	231 563	154 118
Funds utilized by United Nations agencies		1 635	2 888	–	–	–	–	1 635	2 888
Funds utilized by UNFPA		404 365	358 801	2 404	4 030	687	58 579	407 456	421 410
Other expenses	15	2 203	1 854	–	–	–	93	2 203	1 947
Total expenses		**639 766**	**517 661**	**2 404**	**4 030**	**687**	**58 672**	**642 857**	**580 363**
Surplus for the biennium								**147 389**	**90 620**

Summary — Breakdown of expenses by unearmarked and earmarked resources

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
Expenses	*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*
Funds utilized by Governments and NGOs	238 974	225 149	231 563	154 118	470 537	379 267
Funds utilized by United Nations agencies	5 493	4 510	1 635	2 888	7 128	7 398
Funds utilized by UNFPA	748 004	718 329	407 456	421 410	1 155 460	1 139 739
Other expenses	13 032	581	2 203	1 947	15 235	2 528
Total expenses	**1 005 503**	**948 569**	**642 857**	**580 363**	**1 648 360**	**1 528 932**
Surplus for the biennium	**10 055**	**35 238**	**147 389**	**90 620**	**157 444**	**125 858**

Notes to the financial statements

Note 1
Mission statement and organizational objectives

Mission statement

The United Nations Population Fund (UNFPA) is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. We support countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS, and every girl and woman is treated with dignity and respect.

Organizational objectives

The main areas of work of UNFPA are advancing the right to sexual and reproductive health by accelerating progress towards Millennium Development Goal 5 (to improve maternal health), with priority on advancing two key Millennium Development Goal targets — to reduce maternal deaths and to achieve universal access to reproductive health, including family planning. Through this focus, the Fund aims to improve the lives of underserved populations, especially women, youth and adolescents. The Fund's work is guided by its expertise in population dynamics, human rights and gender equality and driven by country needs. In addition, the Fund supports population and development strategies that enable capacity-building in population programming; promotes awareness of population and development issues and advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by, and promotes, the goals and principles of the Programme of Action of the International Conference on Population and Development (1994) and the key actions for the further implementation of that Programme of Action. In particular, UNFPA is committed to reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women everywhere. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially the girl child, are development goals in themselves. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so.

UNFPA firmly believes that meeting those goals will contribute to improving the quality of life and to the universally accepted aim of stabilizing the world population. UNFPA also believes that those goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends.

UNFPA recognizes that all human rights, including the right to development, are universal, indivisible, interdependent and interrelated, as expressed in the Programme of Action of the International Conference on Population and Development, the Vienna Declaration and the Programme of Action adopted by the World Conference on Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Programme of Action of the World

Summit for Social Development, the Platform for Action of the Fourth World Conference on Women and in other internationally agreed instruments.

As the lead United Nations organization for the follow-up and implementation of the Programme of Action of the International Conference on Population and Development, UNFPA is fully committed to working in partnership with Governments, all parts of the United Nations system and civil society, including non-governmental organizations.

UNFPA supports efforts to ensure a coherent, coordinated United Nations field presence, under the leadership of a strengthened regional coordinator in a collegial and participatory regional coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the Millennium Development Goals. Those eight goals, which are fully aligned with the International Conference on Population and Development road map, have the overarching aim of reducing extreme poverty by half by 2015. UNFPA brings its special expertise in reproductive health and population issues to the worldwide collaborative effort of meeting the Millennium Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Millennium Development Goals. These partnerships are customized to national and local circumstances and take into account cultural diversity.

Note 2
Accounting policies

(a) Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(i) Accounting convention

These financial statements have been prepared in accordance with the Financial Regulations and Rules of UNFPA and the United Nations system accounting standards (revision VIII).

(ii) Financial period

The period covered by the financial statements is the biennium ended 31 December 2011.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United States dollars is established using the United Nations operational rate of exchange.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated.

(iv) Revenue

UNFPA operations are funded by two distinct types of resources:

- Unearmarked resources (also referred to as regular, core or unrestricted resources) represent resources which are unrestricted as to use.
- Earmarked resources (also referred to as other, non-core or restricted resources) represent resources which are earmarked by the donors as to their use. These include co-financing, the Junior Professional Officers programme and procurement services funds. Co-financing includes cost-sharing, thematic and other trust funds.

All revenue is recognized on an accrual basis.

Contributions in kind are not recorded as revenue in the financial statements but disclosed in the notes if material.

(v) Expenses

All expenses, except for those incurred under programme activities implemented by Governments and non-governmental organizations, are accounted for on a modified accrual basis.

Where the programme activities are implemented by Governments and non-governmental organizations, these implementing partners provide UNFPA with reports documenting their use of resources, which are the basis for recording programme expenses in the UNFPA accounts. Where UNFPA decides to advance funds to these implementing partners, these advances are made on the basis of quarterly cash projections and are liquidated on the basis of the reports submitted by the implementing partners. Advances to implementing partners that remain outstanding at the end of the year are classified as "Operating fund advances" on statement 1 and are further analysed in note 6 between those pertaining to Governments, United Nations agencies, intergovernmental institutions and non-governmental organizations.

Where the programme activities are implemented by United Nations agencies, these implementing partners also provide UNFPA with reports documenting their use of UNFPA resources. The reports define expenses according to the accounting policies of the United Nations agency reporting the expenses.

Included under programme activities are:

- The support costs incurred by and paid to United Nations agencies, intergovernmental institutions and non-governmental organizations in relation to the UNFPA-funded activities.
- The indirect costs incurred by UNFPA in relation to the management and administration of activities funded by earmarked contributions.

Indirect costs are recovered at a rate of 5 per cent on nationally executed cost-sharing expenses financed by programme countries, 7 per cent on all other co-financed expenses and 5 per cent on third-party procurement expenses.

(vi) Exchange gains and losses

All exchange gains and losses resulting from exchange rate movements are shown separately within "Other revenue" and "Other expenses", respectively. In previous bienniums, UNFPA presented exchange gains and losses related to contributions as a deduction from gross contributions while revaluation gains and losses arising from transactions other than contributions were shown as other revenue or other expenses (note 15).

All monetary assets held in currencies other than United States dollars were revalued using the United Nations operational rate of exchange in effect as at 1 January 2012.

(vii) Investments and hedges

All investments are recorded at amortized cost, which approximates market value. In accordance with the United Nations system accounting standards, both the market value and the amortized cost are disclosed.

All securities held as investments are purchased with the intent to hold them to maturity. However, such securities may be sold in cases where there is a liquidity need or unexpected credit risk or where it is otherwise in the best interests of overall investment management.

The securities which can potentially expose UNFPA to concentration of credit risk consist primarily of bonds, United States Treasury bills and commercial paper. Investments are placed in high credit quality financial instruments as determined by reputable third-party rating agencies. The credit quality of issuers of those investments is reviewed on an ongoing basis. In addition to placing investments only in high credit quality financial instruments, liquidity risk is managed by limiting the exposure to any one issue and to any one counterpart.

Hedging arrangements are entered into to protect the value of non-United States dollar pledges made by donors, to make contribution revenue more predictable and stable and to facilitate resource distribution and other planning exercises. Hedge premiums and hedging exchange gains and losses are included under "Other expenses" (notes 14 and 15).

Investment and hedging activities are carried out by UNDP on behalf of UNFPA.

(viii) Non-expendable assets

Non-expendable assets are defined as items of equipment valued at $1,000 or more per unit excluding freight and carriage, and with a serviceable life of at least three years.

Effective 1 January 2006, title to project assets purchased for the exclusive use of implementing partners is transferred to those implementing partners immediately upon delivery of the assets, with the exception of vehicles, the transfer of which is at the discretion of UNFPA.

The full cost of non-expendable assets is charged as an expense to the biennial support budget or to programme expenses in the year in which they are received. No such expenses are capitalized as assets.

An asset registry is maintained in respect of all non-expendable assets. An analysis of assets held at 31 December 2011 is provided in note 7.

(ix) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf of and at the request of Governments, the United Nations and its funds and programmes, and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a fee in respect of those procurement services at a rate established by the Executive Board, which was 5 per cent for the biennium 2010-2011. This procurement service fee is recorded as revenue to the biennial support budget after procurement service expenses are first deducted.

Those services have been accounted for and reported under schedules C and E. Notes 11 and 16 (c) provide further disclosure on the excess of revenue over expenses.

(x) Refunds to donors

Refunds are recognized when instructions are received from the donor requesting repayment. All refunds to donors are shown as a reduction of contributions revenue. This change in accounting policy from the previous biennium is explained in note 2 (b) (ii) below.

Refunds to donors are disclosed in statement 2, note 12.

(xi) End-of-service and post-retirement benefits

Staff-benefit liabilities such as the after-service health insurance, repatriation grants and unused annual leave are recognized in the financial statements. This policy is consistent with the recommendation of the Secretary-General, made in response to a United Nations Board of Auditors recommendation to begin recognizing and funding of the after-service health insurance liability (A/60/450 and Corr.1) (see note 9).

Starting with the biennium 2008-2009, those liabilities are determined on an actuarial basis.

(xii) Allowance for doubtful accounts

Contributions receivable. An analysis of outstanding unearmarked contributions receivable is carried out and where collection is considered doubtful, an allowance is made. Any contributions receivable outstanding for more than three years are presumed to be doubtful. This allowance is shown separately in note 5. All contributions receivable are presented in statement 1 net of the value of these allowances.

An analysis of outstanding earmarked contributions receivable is carried out, with particular reference to contributions receivable that remain unpaid beyond their due time and/or at the expiry date of the donor agreement. Where collection is considered doubtful, an allowance is made.

Operating fund advances. An analysis of outstanding operating fund advances is carried out and when collection is considered doubtful, an allowance is made. That allowance is shown separately in note 6. "Operating fund advances" are presented in statement 1 net of the value of these allowances.

Other assets. An analysis of the items included in other assets (staff advances, accounts receivable and others) is carried out and, where there is evidence that the debt is doubtful, an allowance for doubtful accounts is created. These doubtful accounts are netted against the asset in statement 1.

(b) Changes in accounting policies

(i) UNFPA as a procurement agent

From 2010, UNFPA has accounted for its procurement activities as if it was a procurement agent rendering a service to the purchaser, and has only accounted for its service fee of 5 per cent as its revenue. The balances from such activities as at the end of the year represent net advances in respect of procurement activities yet to be performed. Previously, the entire contribution and related purchases were accounted for as UNFPA revenue and expense, respectively, with the balance as at the end of the year shown as a fund balance.

The effect of the change in policy in the biennium 2010-2011 is that procurement services revenue and expenses are $56.6 million, and $40.2 million less than would have been reported under the previous policy. Accounts payable are $26.3 million higher with a corresponding reduction in fund balances at 31 December 2011 as a result of the change of policy (schedule C, note 8).

The $16.3 million adjustment to the opening balance of the procurement services funds reflects a restatement of such fund balances to accounts payable (statement 3).

(ii) Contributions revenue

Starting from the biennium 2010-2011, UNFPA recognizes all contributions on an accrual basis following a methodology inspired by the International Public Sector Accounting Standards (IPSAS).

Unearmarked contributions are recognized as revenue when UNFPA has control over the transferred financial resources, normally upon signature of a binding agreement with the donor. Normally only the first year amounts of multi-year agreements are recognized as revenue since the subsequent annual amounts are considered as indicative and subject to change or renegotiation. Multi-year unearmarked contributions paid up front by the donor represent an exception to the above and are fully recognized in the first year, as UNFPA has control over the entire amount. The effect of this change in accounting policy in 2010-2011 is an increase in the current biennium revenue and a corresponding decrease in deferred revenue of $0.2 million.

Earmarked contributions are recognized in full upon signature of a binding agreement, with the exception of circumstances where agreements include "conditions" on transferred assets, defined as specific and measurable performance obligations and return of funds obligations, or where the donor withholds control over part of the contributions. In the former case, an asset and a liability are recognized for the whole value of the contribution and the liability is progressively

transferred to revenue as the conditions are fulfilled. In the latter case, revenue is recognized as UNFPA gets control over contribution instalments.

Prior to 2010, contributions to co-financing activities were recognized on a cash basis. The effect of this change in accounting policy in 2010-2011 is that co-financing contributions and accounts receivable are both $90.3 million higher than they would have been under the previous policy.

In 2010-2011, the treatment of refunds to donors also changed. Prior to 2010, refunds to donors were shown as a movement in fund balances, while in the current biennium they are shown as a reduction of earmarked contribution revenue within statement 2. The effect of this change in accounting policy is that earmarked contributions are $20.5 million lower than they would have been under the previous policy.

Where UNFPA procurement facilities are utilized by a third party, the substance of the transaction is the rendering of a service and the role of UNFPA is considered to be that of a procurement agent, whereby in such transactions UNFPA only accounts for its service fee of 5 per cent as its revenue. The effect of this change in 2010-2011 is disclosed in note 2 (b) (i) above.

In 2010-2011, an amount related to reimbursement of United States taxes to staff members is shown as a reduction of unearmarked contributions and an increase of other revenue in earmarked resources in line with the budget presentation.

(iii) Interest on earmarked resources

From 2010, earmarked resources fund balances do not earn interest, which is retained within unearmarked resources, except for a limited number of legacy funds that pre-date the change in UNFPA regulations. The effect of this change in accounting policy is that unearmarked resources interest revenue is $5.4 million higher and earmarked resources interest revenue correspondingly lower than they would have been under the previous policy.

(iv) Differences in presentation and comparisons with previous biennium financial statements

UNFPA is in the process of adopting IPSAS on 1 January 2012. The organization has incorporated IPSAS-inspired policies into the 2010-2011 financial statements. This adoption has led to several disclosure changes, mainly owing to the regrouping of accounts and change of presentation in statements, schedules and notes. The most notable changes between the 2010-2011 and the 2008-2009 financial statements presentations are as follows:

- In accordance with the IPSAS-inspired policies and presentation, the breakdown between earmarked and unearmarked resources is not presented on the face of the statements. This breakdown is shown in the accompanying schedules and notes.
- Assets and liabilities are classified into "current" and "non-current" based on a liquidity principle. Current assets and liabilities are expected to be liquidated within 12 months from the closing date; all remaining assets and liabilities are considered non-current.
- Movements in fund balances are shown in a separate statement (statement 3).

- Some financial information is now disclosed in the notes rather than in the schedules, e.g., expenses for programme activities by country and region (note 16 (a) and (b)).
- New note disclosures have been made, e.g., cash and cash equivalents (note 3).
- Expense breakdown: in previous financial statements, expenses were categorized between "Programme expenses" and "Other expenses". In 2010-2011 expenses are shown by implementing partner, e.g., Governments, NGOs, other intergovernmental organizations and self-implementation. "Other expenses" have also been redefined (see below).
- "Other revenue" and "Other expenses" have been redefined, most notably, all gains and losses related to foreign exchange movements have been presented separately within note 13 ("Other revenue") and note 15 ("Other expenses") and through separate lines in statement 2, while previously gains and losses related to contributions were netted against the gross value of contributions.

For comparative purposes, the 2008-2009 figures have been represented consistently with the 2010-2011 financial statements format.

A detailed comparison of the formats of the 2010-2011 and 2008-2009 financial statements is presented in note 19.

Note 3
Cash and cash equivalents

Cash and cash equivalents comprise:

(Thousands of United States dollars)

	As at 31 December 2011	*As at 31 December 2009*
Cash on hand	21	48
Cash at banks	9 031	12 452
Total	**9 052**	**12 500**

Cash requirements for immediate disbursements are held in bank accounts.

Note 4
Investments

The total amortized cost and market values of investments held at 31 December 2011 are as follows:

(Thousands of United States dollars)

	As at 31 December 2011		*As at 31 December 2009*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Money market funds	35 628	35 628	41 572	41 572
Time deposits	63 108	63 108	–	–
Certificates of deposit	–	–	41 100	41 100
Commercial papers — discount	44 972	44 972	49 976	49 976
Discount notes	20 000	20 000	–	–
United States Treasury bills	40 000	40 000	–	–
Bonds	534 026	531 566	451 293	445 775
Non-United States sovereign obligations	127 374	127 236	88 387	87 678
Supranational organizations	207 628	207 612	188 746	186 921
United States Government and agency obligations	31 244	31 264	–	–
Corporate bonds	167 780	165 454	174 160	171 176
Total	**737 734**	**735 274**	**583 941**	**578 423**
Of which:				
— maturing within one year	572 707	572 564	251 176	250 915
— maturing after one year	165 027	162 710	332 765	327 508
Total	**737 734**	**735 274**	**583 941**	**578 423**

Of the total investments of $735 million, $243 million is restricted in use as follows:

- Operational reserves: $90.7 million
- After-service health insurance: $114.6 million
- Private endowment trust: $32.7 million
- Reserve for field accommodation: $5 million

The average maturity of UNFPA investments as at 31 December 2011 is 8.7 months. The average maturity as at 31 December 2009 was 16.7 months.

In 2010 and 2011, the average yield on investments was 1.7 per cent and 1.4 per cent, respectively. In 2008 and 2009, the average yield on investments was 3.6 per cent and 2.1 per cent, respectively.

The book values of bonds and movements in bonds during the period were as follows:

(Thousands of United States dollars)

	2010-2011	2008-2009
Opening balance as at 1 January	445 775	39 264
Add: purchases	781 533	608 184
Less: maturities	(683 677)	(197 865)
Amortization	(10 956)	(3 627)
Unamortized discount/premium	(1 109)	(181)
Closing balance as at 31 December	531 566	445 775

Note 5
Contributions receivable, other current assets and prepayments

Contributions receivable are presented using the following criteria: (a) exchange vs. non-exchange transactions; (b) current vs. non-current receivables; and (c) earmarked vs. unearmarked contributions.

(Thousands of United States dollars)

	As at 31 December 2011	As at 31 December 2009
Non-exchange transactions		
Contributions receivable (current)	60 289	3 272
Unearmarked resources	1 528	3 272
Earmarked resources	58 761	–
Contributions receivable (non-current)	31 660	–
Unearmarked resources	–	–
Earmarked resources	31 660	–
Exchange transactions		
Contributions receivable (current)	955	–
Contributions receivable (non-current)	–	–
Total	92 904	3 272

Contributions receivable are presented net of allowance for doubtful accounts.

Following an IPSAS-inspired methodology, exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. These transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, the procurement activities on behalf of third parties are currently the only exchange transactions.

The distinction between current and non-current receivables is based on the expected timing of collection. Current contributions receivable are by definition expected to be collected within 12 months from the date of the financial statements, and non-current receivables are expected to be collected after that date.

Contributions receivable from unearmarked resources are mainly related to amounts from current and prior years not yet collected by the end of the reporting period. Contributions receivable from earmarked resources mainly relate to amounts which will become due and to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

Contributions for current and prior years recognized as revenue but not paid at 31 December 2011 are as follows:

(Thousands of United States dollars)

	As at 31 December 2011		*As at 31 December 2009*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2006 and prior years	–	–	91	–
2007	–	–	377	–
2008	281	–	320	–
2009	258	–	2 583	–
2010	329	–	–	–
2011	984	43 034	–	–
Total	**1 852**	**43 034**	**3 371**	**–**
Adjustment for unrealized exchange losses	(43)	–	(8)	–
Allowance for doubtful account	(281)	–	(91)	–
Contributions receivable not yet billed at 31 December	–	47 387	–	–
Total	**1 528**	**90 421**	**3 272**	**–**

As a result of the change in accounting policy described in note 2 (b) (ii), revenue for multi-year earmarked contributions is recognized at signature of a binding agreement unless conditions on transferred resources apply. As a result, contributions receivable for co-financing agreements for $43.0 million were already due as at 31 December 2011, while an amount of $47.4 million was not yet due. Of the latter amount, $36.1 million revenue related to agreements signed in 2011 and $11.3 million revenue related to agreements signed in 2010.

A breakdown of contributions receivable from earmarked resources by donor country is detailed in schedule B.

Allowance for doubtful accounts of contributions receivable

An analysis of each contribution receivable is carried out and where collection is considered doubtful, full allowance is made. Any contribution receivable for unearmarked resources outstanding for more than three years is presumed to be doubtful.

The movement in the allowance is summarized below:

(Thousands of United States dollars)

	2010-2011	2008-2009
Allowance as at 1 January	(91)	(88)
Contributions receivable for which collection is now considered doubtful	(449)	(158)
Contributions receivable written off	219	144
Recoveries of contributions receivable for which collection was previously considered doubtful	40	11
Allowance as at 31 December	**(281)**	**(91)**

Other current assets and prepayments

Other current assets and prepayments comprise the following:

(Thousands of United States dollars)

	As at 31 December 2011	As at 31 December 2009
Advances to staff	4 768	4 728
Accrued interest	4 512	5 203
Miscellaneous accounts receivable and prepayments	7 067	2 143
Due from other United Nations agencies	49	6 272
Allowance for doubtful miscellaneous accounts receivable	(108)	(424)
Total	**16 288**	**17 922**

Note 6
Operating fund advances

Operating fund advances by implementing agents are as follows:

(Thousands of United States dollars)

	As at 31 December 2011	As at 31 December 2009
Governments	5 419	11 730
United Nations agencies	864	496
Intergovernmental institutions and NGOs	3 612	5 253
Less: allowance for doubtful advances	(351)	(54)
Total	**9 544**	**17 425**

Note 7
Non-expendable assets

The full cost of non-expendable assets is charged as expense to the biennial support budget or to programme expenses in the year in which they are received. No such expenses are capitalized as assets.

A physical count of assets was performed at headquarters and country offices and reconciled to the asset registry as at 31 December 2011.

Non-expendable assets as at 31 December 2011, expressed at cost, are summarized below:

(Thousands of United States dollars)

	As at 31 December 2011	*As at 31 December 2009*
Headquarters	5 599	3 476
Country offices	49 569	48 890
Total	**55 167**	**52 366**

Note 8
Accounts payable and accruals

Accounts payable and accruals comprise:

(Thousands of United States dollars)

	As at 31 December 2011	*As at 31 December 2009*
Accounts payable	20 568	25 522
Due to United Nations agencies	75 522	796
Net advance from procurement activities	26 325	-
Administrative agent payable	11 215	7 014
Payable in respect of unspent balances on expired funds	4 622	7 356
Receipt accrual liability	8 494	25 249
Total	**146 746**	**65 938**

"Due to United Nations agencies" mainly refers to amounts owed to UNDP in respect of services provided by them to UNFPA for administrative efficiency and in order to leverage the common Enterprise Resource Planning (ERP) system. Such services are governed by service-level agreements which, inter alia, determine the service cost structure.

Note 9
Employee benefits

(a) Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Fund is a funded, multi-employer defined-benefit plan.

An actuarial valuation of United Nations Joint Staff Pension Fund assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, UNFPA is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan, thus the UNFPA share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements.

The organization's contribution to the United Nations Joint Staff Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the General Assembly had not invoked this provision.

(b) End-of-service and post-retirement benefits

End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. As disclosed in note 2 (a) (xi), effective with the biennium ended 31 December 2009, all three liabilities were determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm. The latest actuarial valuation was undertaken as at 31 December 2011. Values of UNFPA post-employment benefits' liabilities at 31 December 2011 are as follows:

(Thousands of United States dollars)

	As at 31 December 2011	*As at 31 December 2009*
After-service health insurance	163 289	87 445
Repatriation benefits	20 775	18 553
Annual leave liability	11 068	9 450
Net post-employment benefit liability	**195 132**	**115 448**

The increase in liability is due to the following effects:

	As at 31 December 2011		
	After-service health insurance	*Repatriation benefits*	*Unused vacation days*
Current service cost	12 105	2 793	3 679
Interest cost	11 045	2 143	1 084
Past service cost	(12 511)	–	–
Benefits paid	(2 018)	(3 744)	(3 084)
Actuarial (gain)/loss	67 223	1 030	(61)
Net change in liability	**75 844**	**2 222**	**1 618**

"Current service cost" is the increase in liability resulting from benefits vested to employees through services in the current biennium. "Interest cost" is the increase resulting from future employee benefits being closer to settlement. "Past service cost" is the change in liability resulting from modifications to employee benefit plans in the current biennium, changes to medical plans translated into expected savings and therefore into a decrease in liability. "Benefits paid" corresponds to disbursement of employee benefits in the current biennium. The main component of the increase in the liability in the current biennium is an actuarial loss owing to a decrease in the discount rate used for the actuarial valuation.

After-service health insurance

(i) Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of UNFPA, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance.

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2011 were a discount rate of 4.5 per cent; health-care escalation rates of 7 to 8 per cent in 2012, grading down to 4.5 per cent in 2027 and later years for both United States and non-United States medical plans. Retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits, which have been updated for the current biennium. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 6 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for medical plans outside of the United States. In determining the valuation of the organization's residual after-service health insurance liability, contributions from all plan participants are considered. Thus, contributions from retirees are deducted from the gross liability and, commencing with the 31 December 2009 valuation, a portion of the contributions from active staff are also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

Those ratios require that the organization's share of costs shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the Medical Insurance Plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

On the basis outlined in subparagraph (ii) above, the present value of the accrued liability as at 31 December 2011, net of contributions from plan participants, was estimated at $163.3 million:

(Thousands of United States dollars)

Accrued liability	*As at 31 December 2011*	*As at 31 December 2009*
Gross liability	257 513	136 632
Offset from contributions made by plan participants	(94 224)	(49 187)
Net organization liability	**163 289**	**87 445**

Further to the assumptions in subparagraph (ii) above, it is estimated that the present value of the net liability would increase by 25 per cent and decrease by 19 per cent if medical cost trend is increased and decreased by 1 per cent, respectively, all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 26 per cent and decrease by 19 per cent if the discount rate is decreased and increased by 1 per cent, respectively, all other assumptions held constant.

Repatriation benefits

Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and to travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

As referred to in note 2 (a) (xi) above, a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2011. That actuarial valuation was first provided as at 31 December 2009. Previously, the liabilities for repatriation benefits were calculated based on current costs as of the reporting date, without discounting or other adjustments.

The major assumptions used by the actuary were a discount rate of 4.5 per cent; annual salary increases ranging from 9.1 per cent to 4 per cent based on age and category of staff members, and travel cost increases of 2.5 per cent per annum.

On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as of 31 December 2011 was estimated at $20.8 million.

Unused vacation days

Upon end of service, staff members may commute unused vacation days up to a maximum of 60 working days for those holding fixed-term or continuing appointments.

As referred to in note 2 (a) (xi), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2011. That actuarial valuation was first provided as at 31 December 2009. Previously, the liabilities for unused vacation days were calculated based on current costs as of the reporting date, without discounting or other adjustments.

The major assumptions used by the actuary were a discount rate of 4.5 per cent; and an annual rate of increase in accumulated annual leave balances of 12.5 days in the first three years, 3 days per year in the fourth to sixth years, and 0.1 day annually thereafter, capping at an accumulation of 60 days. Salary is assumed to increase annually at rates ranging from 9.1 per cent to 4 per cent based on age and category of the staff members.

On the basis of those assumptions, the present value of the accrued liability for unused vacation days as of 31 December 2011 was estimated at $11.1 million.

Unfunded after-service health insurance and other staff benefit liabilities

As at 31 December 2011, the unfunded portion of after-service health insurance and other staff benefit liabilities was as follows:

(Thousands of United States dollars)

	As at 31 December 2011		
	Accrued liability	*Funded liability*	*Unfunded liability*
After-service health insurance	163 289	114 602	48 687
Other staff benefits	31 843	–	31 843
Total	**195 132**	**114 602**	**80 530**

The net change in the unfunded liability during 2010-2011 is as follows:

(Thousands of United States dollars)

	2009			*2011*
	Unfunded liability	*Increase in liability*	*Increase in funding*	*Unfunded liability*
After-service health insurance	8 471	75 844	35 628	48 687
Other staff benefits	28 003	3 840	–	31 843
Total	**36 474**	**79 684**	**35 628**	**80 530**

In 2010-2011, the liability was funded as follows:

- Transfers from fund balances otherwise available for programming of $25.9 million
- Cost accrual resulting from payroll charges of $6.1 million (4 per cent of payroll costs)
- Interest earned on the already funded portion of the after-service health insurance liability of $3.6 million.

Note 10
Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue comprise:

(Thousands of United States dollars)

Current	*As at 31 December 2011*	*As at 31 December 2009*
Other current liabilities	6 140	4 740
Deferred revenue	267	229
Total	**6 407**	**4 969**

Non-current	*As at 31 December 2011*	*As at 31 December 2009*
Other non-current liabilities	–	157
Deferred revenue	1 535	295
Total	**1 535**	**452**

The value of deferred revenue at 31 December 2011 was $1.8 million; that amount relates to an initial free-rent period granted by the landlord of the new UNFPA headquarters.

Note 11
Unearmarked resources — Movements in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Undesignated fund balance		*Designated fund balance*									*2010-2011*	*2009*
	Programmable fund balance	*After-service health insurance and staff-related benefits fund*	*Security reserve*	*IPSAS and Enterprise Resource Planning system*	*Regionalization*	*Headquarters relocation*	*Procurement services*	*Private endowment trust*	*Total fund balance*	*Operational reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
		(Note 9)	*(Note 11 (a))*	*(Note 11 (b))*	*(Note 11 (c))*	*(Note 11 (k))*	*(Note 11 (g))*	*(Note 11 (d))*		*(Note 11 (e))*	*(Note 11 (f))*		
Balance as at 1 January[a]	43 087	(36 474)	4 968	3 616	9 591	–	3 001	37 693	65 482	93 887	5 000	164 369	143 402
Net excess/(shortfall) of revenue over expenses	31 837	3 607	(7 057)	(6 958)	(4 957)	(5 415)	(1 245)	1 094	10 906	–	(852)	10 055	35 858
Changes in *allocations*													
IPSAS and Enterprise Resource Planning allocation	(5 719)	–	–	5 719	–	–	–	–	–	–	–	–	–
Security reserve allocation	(5 841)	–	5 841	–	–	–	–	–	–	–	–	–	–
Headquarters relocation	(5 890)	–	–	–	–	5 890	–	–	–	–	–	–	–
After-service health insurance and staff-related benefits fund	(25 900)	25 900	–	–	–	–	–	–	–	–	–	–	–
Transfers within reserves													
to reserve for field accommodation	(852)	–	–	–	–	–	–	–	(852)	–	852	–	–
to operational reserve	3 183	–	–	–	–	–	–	–	3 183	(3 183)	–	–	–

	Undesignated fund balance		Designated fund balance						Total fund balance	Operational reserve	Reserve for field accommodation	2010-2011 Total reserves and fund balances	2009 Total reserves and fund balances
	Programmable fund balance	After-service health insurance and staff-related benefits fund (Note 9)	Security reserve (Note 11 (a))	IPSAS and Enterprise Resource Planning system (Note 11 (b))	Regionalization (Note 11 (c))	Headquarters relocation (Note 11 (h))	Procurement services (Note 11 (g))	Private endowment trust (Note 11 (d))		Operational reserve (Note 11 (e))	Reserve for field accommodation (Note 11 (f))		
Unused special purpose allocation[b]													
Security reserve	3 752	–	(3 752)		–	–	–	–	–	–	–	–	–
IPSAS and Enterprise Resource Planning	2 378	–	–	(2 378)	–	–	–	–	–	–	–	–	–
Regionalization	4 617	–	–	–	(4 617)	–	–	–	–	–	–	–	–
Headquarters relocation	254	–	–	–	–	(254)	–	–	–	–	–	–	–
Transfers within UNFPA resources	4 874	–	–	–	–	–	–	–	4 874	–	–	4 874	292
Other adjustments to resource balances													
After-service health insurance and staff-related benefits fund	–	(73 563)	–	–	–	–	–	–	(73 563)	–	–	(73 563)	(14 654)
Balance as at 31 December	**49 780**	**(80 530)**	**–**	**–**	**17**	**221**	**1 756**	**38 786**	**10 031**	**90 704**	**5 000**	**105 735**	**164 898**
Net total		**(30 750)**						**40 781**			**95 704**		

Note: "Designated" refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming. This category includes the security reserve, IPSAS and the Enterprise Resource Planning system, regionalization, headquarters relocation, procurement services and the private endowment trust fund. "Undesignated" refers to the remaining portion of the resource balance and totals ($30.7) million.

[a] An amount of $529,000 was reclassified from regular resources to other resources as of 1 January 2010.

[b] "Unused special purpose allocation" refers to amounts previously allocated to special purpose activities, not used by 31 December 2011 and reintegrated into programmable funds.

(a) Security reserve

The Executive Board, in its decision 2004/27, approved the establishment of a security reserve to implement additional protective measures to safeguard UNFPA personnel and premises, including: (a) the relocation of some UNFPA country offices to safer premises; (b) enforcing compliance with enhanced minimum operating security standards and minimum operating residential security standards; (c) meeting the UNFPA-apportioned share of the United Nations Secretariat Department of Safety and Security costs; (d) meeting the increased premium for the malicious acts insurance policy; and (e) establishing a basic security structure within UNFPA.

In its decision 2004/27, the Executive Board approved a security reserve of $6.8 million to address the additional security requirements of UNFPA. In its decision 2005/37, the Executive Board authorized additional funding of $4.7 million for 2006-2007. In 2008, the Board authorized a further expense of $5 million from unearmarked resources to replenish the security reserve, in addition to the $2.4 million included within the biennial support budget for 2008-2009 (DP/FPA/2008/1). For 2010-2011, the Board authorized a further allocation of $5.8 million from unearmarked resources to replenish the security reserve (DP/FPA/2009/10).

The table below shows the amounts set aside, the expenses and the remaining balance at the end of the year:

(Thousands of United States dollars)

	2010-2011	*2008-2009*
Balance as at 1 January	4 968	4 900
Allocation	5 841	7 400
Net excess/(shortfall) of revenue over expenses	(7 057)	(7 332)
Unused special purpose allocation	(3 752)	–
Balance as at 31 December	–	**4 968**

(b) Implementation of the International Public Sector Accounting Standards and the Enterprise Resource Planning system

The General Assembly approved the adoption of the International Public Sector Accounting Standards (IPSAS) by the United Nations system in its resolution 60/283. The Executive Board of UNFPA authorized the setting aside of $5.7 million in the biennium support budget 2010-2011 for the implementation of IPSAS and the continued implementation of the Enterprise Resource Planning system.

The table below shows the amounts set aside, the expenses and the remaining balance as of 31 December 2011:

(Thousands of United States dollars)

	2010-2011	*2008-2009*
Balance as at 1 January	3 616	3 473
Allocation	5 719	6 000
IPSAS	2 872	2 100
Enterprise Resource Planning	2 847	3 900
Expenses	(6 958)	(5 857)
IPSAS	(3 473)	(778)
Enterprise Resource Planning	(3 485)	(5 079)
Unused special purpose allocation	(2 378)	–
Balance as at 31 December	–	**3 616**

Cumulative expenses up to 31 December 2011 are as follows:

- Enterprise Resource Planning expense of $27.6 million;
- IPSAS expense of $4.5 million.

(c) Regionalization

The current organizational structure, which includes regionalization, is an integral component of the Strategic Plan 2008-2011. The objective of this structure is to ensure a strategic, timely, integrated and efficient response to the needs of programme countries and of UNFPA country offices, and to strengthen the ability of UNFPA to produce results in an effective and efficient manner. The relocation of the geographical divisions to the field and their merger with the country support teams to create regional and subregional offices and the split of the Division of Arab States, Europe and Central Asia into two separate regions, Eastern Europe and Central Asia, has been taking place in a phased manner beginning in 2008.

The one-time costs of this structure implementation were estimated at $28.4 million and consist of two major components: (a) human resources-related provisions ($16.3 million), which include staff termination ($9.5 million), relocation ($3.1 million), non-salary staff costs for outplacement services, counselling, a job fair, a job-matching and reassignment process, and change management training ($1.3 million) and eight posts related to the reorganization implementation process ($2.4 million); and (b) the establishment of regional and subregional offices ($12.1 million), which includes the identification and design, renovation or alteration of premises, site supervision, removal costs and procuring equipment ($6.4 million), the establishment of information technology connectivity ($4.2 million) and compliance with United Nations security standards ($1.5 million).

The Executive Board approved the one-time cost amount in decision 2008/6 and the funding modality in decision 2007/43, as follows: (a) $10 million from the carry-forward balance from previous years; (b) withholding $11 million, on an exceptional basis, from the projected annual additions over two years (2007 and 2008) to the operational reserve; and (c) making use of additional contributions to

fund the remaining amount of $7.4 million. In 2009, the Executive Board authorized a reduction of $4 million, resulting in a revised total of $24.4 million (decision 2009/26).

The table below shows the amounts set aside, the net excess (shortfall) of revenue over expenses and the remaining balance as of 31 December 2011:

(Thousands of United States dollars)

	2010-2011	*2008-2009*
Balance as at 1 January	9 591	21 294
Allocation	–	3 105
Net excess/(shortfall) of revenue over expenses	(4 957)	(14 808)
Unused special purpose allocation	(4 617)	–
Balance as at 31 December	**17**	**9 591**

The fund balance at the end of 2011 will be used to satisfy legal commitments entered into prior to the end of the year for activities in respect of the regionalization programme.

(d) Private endowment trust

The late Mr. Forrest E. Mars provided in his estate for the creation of a fund, entitled the Mars Trust, that was held by Americans for UNFPA (formerly called the United States Committee for UNFPA), to support the work of UNFPA. From 1997 through 2005, on a periodic basis, Americans for UNFPA, in conjunction with the trustee of the fund, made discretionary distributions for the benefit of UNFPA.

In December 2006, the trustee, in complete termination of the Private Endowment Trust, distributed the underlying assets of the Trust to Americans for UNFPA and UNFPA. The distribution, as spelled out in the signed restricted fund agreement by and between Americans for UNFPA, UNFPA and the trustee, allocated the principal, including revenue and any appreciation (distribution), as follows: (a) 4 million to the Americans for UNFPA Fund, on certain terms and conditions set forth; and (b) the balance of the distribution (UNFPA Trust Fund) transferred to UNFPA by Americans for UNFPA.

Americans for UNFPA may withdraw from the $4 million Americans for UNFPA Fund an annual amount in excess of $500,000 during each calendar year from 2006 to 2011, for a total of $3 million, to support the work of UNFPA in addressing world population problems. Americans for UNFPA will distribute to UNFPA the unexpended balance of $1 million, including any revenue and appreciation thereof in 2012.

In addition to the restricted fund agreement, a release and reimbursement agreement was also signed by and between the trustee, Americans for UNFPA and UNFPA, releasing and discharging the trustee from any potential liability that may arise in the administration, payment or distribution of the Trust. That agreement binds both Americans for UNFPA and UNFPA, for an indefinite period of time, to proportionately reimburse the trustee or his heirs for any potential liability above,

within 20 days from receipt of a writte[illegible]o the extent of their net distribution benefits. At the time the agreement was [illegible]d, neither the trustee nor UNFPA were aware of any material liability arising in the future. Given the extent and indefinite period of time of the potential liability, the value of the UNFPA net distribution benefit ($32.7 million received as at 31 December 2007 plus the $1 million to be received in 2012) must be preserved.

The balance of the Mars Trust Fund at the end of the biennium 2010-2011 was $38.8 million, which represents the distribution to UNFPA of $32.7 million, plus the receivable of $1 million and accumulated interest revenue of $5.1 million. The accumulated interest revenue will be spent on designated activities to further the UNFPA mandate.

(e) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies.

The level of the operational reserve was set at $45 million at the thirty-sixth session of the Governing Council, in 1989. At its thirty-eighth session, in 1991, the Governing Council decided that the level of the operational reserve should be set at 20 per cent of unearmarked resources revenue for each year of the UNFPA workplan.

In the year ended 31 December 2011, given net contribution revenue of $453.6 million, the operational reserve is $90.7 million, as shown in statement 1.

(f) Reserve for field accommodation

At its thirty-eighth session in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenses in the biennium 2010-2011 totalled $0.9 million, and as at 31 December 2011 $0.9 million was transferred from unexpended resources to replenish the reserve for field accommodation. Field accommodation expenses in 2008-2009 totalled $0.1 million.

(g) Procurement services

The surplus or shortfall of procurement services fee revenue over expenses is presented as a reduction or increase in biennial support budget expenses (see note 16 (c)). However, the cumulative surplus of $1.8 million arising from such activities at 31 December 2011 (31 December 2009: $3 million) has been set aside to facilitate resource planning in future years.

(h) Headquarters relocation

The Executive Board, in its decision DP/FPA/2009/10, authorized the setting aside of $5.9 million in 2010-2011 to cover the one-time costs of setting up the new UNFPA headquarters premises and moving from its previous location, including electrical installations ($0.9 million), painting and carpeting ($1.3 million),

During the period, contribution revenue in seven currencies was hedged. At 31 December 2011 there were no outstanding hedging commitments.

Note 15
Other expenses

Other expenses for the biennium ended 31 December 2011 are as follows:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2010-2011	*2008-2009*	*2010-2011*	*2008-2009*	*2010-2011*	*2008-2009*
Net currency revaluation adjustments and losses on exchange	11 930	–	2 203	1 947	14 133	1 947
Allowance for doubtful debts	1 102	581	–	–	1 102	581
Total	**13 032**	**581**	**2 203**	**1 947**	**15 235**	**2 528**

The line "Net currency revaluation adjustments and losses on exchange" includes the value of losses related to all transactions, including contributions. The latter amounts were previously shown in the financial statements for 2008-2009 as a direct reduction of contributions within statement 2. Allowance for doubtful debts is now included as a separate line in the expense breakdown.

Note 16
Unearmarked resources — Programme activities by country and region and biennial support budget

(a) Programme expenses by country for the biennium 2010-2011

(Thousands of United States dollars)

	2010-2011 programme expenses	*2008-2009 programme expenses*[a]
Sub-Saharan Africa		
Angola	4 075	4 702
Benin	4 094	4 770
Botswana	2 812	3 318
Burkina Faso	6 147	6 024
Burundi	4 200	4 659
Cameroon	7 217	6 551
Cape Verde	2 450	2 847
Central African Republic	5 696	5 030
Chad	7 505	8 644
Comoros	1 678	1 727
Congo	4 304	4 313
Côte d'Ivoire	10 354	10 421

	2010-2011 programme expenses	*2008-2009 programme expenses[a]*
Democratic Republic of the Congo	15 181	16 267
Equatorial Guinea	2 177	2 571
Eritrea	4 271	3 163
Ethiopia	11 105	11 385
Gabon	2 351	1 928
Gambia	2 538	2 145
Ghana	7 254	6 207
Guinea	5 223	5 620
Guinea-Bissau	2 928	4 418
Kenya	10 140	10 726
Lesotho	3 307	2 474
Liberia	4 981	6 219
Madagascar	8 015	6 459
Malawi	7 659	7 266
Mali	5 575	5 298
Mauritania	4 772	5 481
Mauritius	71	270
Mozambique	8 813	10 122
Namibia	2 821	2 665
Niger	6 361	4 903
Nigeria	12 960	14 626
Rwanda	5 467	5 970
Sao Tome and Principe	1 238	1 143
Senegal	4 718	3 445
Seychelles	101	132
Sierra Leone	4 843	5 844
South Africa	3 292	2 595
South Sudan	3 827	3 572
Swaziland	2 611	2 412
Togo	2 786	3 113
Uganda	13 001	13 646
United Republic of Tanzania	8 896	8 419
Zambia	6 538	6 342
Zimbabwe	8 211	9 288
Total country projects	**254 564**	**259 140**
Regional projects	19 605	21 672
Total	**274 169**	**280 812**

	2010-2011 programme expenses	*2008-2009 programme expenses*[a]
Asia and the Pacific		
Afghanistan	12 146	9 208
Bangladesh	12 961	12 865
Bhutan	2 277	2 031
Cambodia	7 882	8 305
China	5 820	10 069
Democratic People's Republic of Korea	2 001	2 353
India	27 324	21 065
Indonesia	11 191	10 870
Iran (Islamic Republic of)	2 966	2 887
Lao People's Democratic Republic	3 235	3 021
Malaysia	766	783
Maldives	878	942
Mongolia	4 489	3 338
Myanmar	11 495	11 753
Nepal	7 354	9 948
Pacific multi-islands[b]	–	1 819
Pakistan	20 463	14 556
Papua New Guinea	3 836	2 914
Philippines	11 422	7 736
Sri Lanka	5 782	3 250
Thailand	3 653	3 242
Timor-Leste	5 769	4 643
Viet Nam	8 308	7 347
Total country projects	**172 018**	**154 945**
Regional projects	18 302	17 426
Total	**190 320**	**172 371**
Arab States		
Algeria	648	934
Djibouti	1 524	1 634
Egypt	5 667	5 176
Iraq	4 259	3 381
Jordan	1 459	1 174
Lebanon	1 302	1 157
Morocco	3 305	3 828
Occupied Palestinian Territory	4 120	3 856
Oman	342	816
Somalia	3 909	4 131

	2010-2011 programme expenses	*2008-2009 programme expenses[a]*
Sudan	10 201	12 218
Syrian Arab Republic	3 760	3 630
Tunisia	1 446	1 103
Yemen	4 831	5 201
Total country projects	**46 773**	**48 239**
Regional projects	5 489	5 297
Total	**52 262**	**53 536**
Eastern Europe and Central Asia		
Albania	1 174	1 055
Armenia	1 063	990
Azerbaijan	1 458	1 433
Belarus	887	1 030
Bosnia and Herzegovina	1 023	908
Bulgaria	300	389
Georgia	1 283	1 348
Kazakhstan	1 188	1 191
Kosovo	1 097	982
Kyrgyzstan	1 917	1 557
Poland	–	16
Republic of Moldova	977	906
Romania	416	852
Russian Federation	1 807	1 606
Serbia	322	252
Tajikistan	2 107	1 688
The former Yugoslav Republic of Macedonia	475	406
Turkey	2 103	1 996
Turkmenistan	1 387	1 279
Ukraine	1 278	1 356
Uzbekistan	2 154	2 125
Total country projects	**24 416**	**23 365**
Regional projects	8 591	6 493
Total	**33 007**	**29 858**
Latin America and the Caribbean		
Argentina	1 414	1 301
Bolivia (Plurinational State of)	3 414	2 862
Brazil	3 350	2 778
Chile	406	463

	2010-2011 programme expenses	*2008-2009 programme expenses*[a]
Colombia	3 590	3 682
Costa Rica	1 326	1 242
Cuba	1 385	1 528
Dominican Republic	2 327	2 428
Ecuador	2 072	2 090
El Salvador	2 535	2 773
English- and Dutch-speaking Caribbean countries[c]	3 231	3 736
Guatemala	3 169	2 508
Haiti	9 864	5 901
Honduras	3 511	4 043
Mexico	2 870	2 914
Nicaragua	2 945	3 108
Panama	1 485	1 371
Paraguay	1 971	2 251
Peru	4 057	4 009
Uruguay	1 598	1 557
Venezuela (Bolivarian Republic of)	2 464	2 419
Total country projects	**58 984**	**54 964**
Regional projects	12 735	13 074
Total	**71 719**	**68 038**
Global programme and other activities	103 348	62 507
Total programme expenses[d]	**724 825**	**667 122**

[a] The 2008-2009 statements presented the breakdown of expenses by nature between "Programme expenses" and "Other expenses". That breakdown has not been maintained in the 2010-2011 statements. Therefore, the current note 16 includes all expenses by nature related to programme activities, including "Other expenses".

[b] Figures for Pacific multi-islands comprise several islands which, for reporting purposes, are classified under one heading, including the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[c] Figures for English- and Dutch-speaking Caribbean countries, comprise several countries and islands which, for reporting purposes, have been classified under one heading, including Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, the Netherlands Antilles, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

[d] In the 2008-2009 biennium, the difference between total expenses reported in this note and in statement 2, schedule D and note 18 corresponds to $15.3 million net gains from currency exchange.

(b) Programme expenses by region for the biennium 2010-2011

(Thousands of United States dollars)

Region	*Ceilings*	*2010-2011 allocations*	*2010-2011 programme expenses*	*Unspent allocations*
Sub-Saharan Africa	248 189	284 189	274 169	10 020
Asia and the Pacific	199 900	199 802	190 320	9 482
Arab States	61 600	58 840	52 262	6 578
Eastern Europe and Central Asia	34 600	34 487	33 007	1 480
Latin America and the Caribbean	73 100	72 656	71 719	937
Global and other activities	117 008	116 800	103 348	13 452
Total	**734 397**	**766 774**	**724 825**	**41 949**

Note: This schedule is a high-level summary of note 16 (a) and compares expenses against approved allocations (ceilings) during the period.

(c) Biennial support budget

(Thousands of United States dollars)

	Appropriations 2010-2011	*Expenses 2010-2011*			*Unexpended balance 2010-2011*
		Disbursements	*Receipt accrual liability*	*Total*	
Gross appropriations and expense	**274 539**	**254 482**	**477**	**254 959**	**19 580**
Credits to the biennial support budget	(38 200)	(39 790)	–	(39 790)	1 590
Net appropriations and expense	**236 339**	**214 692**	**477**	**215 169**	**21 170**

Credits to the biennial support budget:

(Thousands of United States dollars)

	2010-2011	*2008-2009*
Indirect costs charged to other resources in relation to:		
UNFPA, NGO and government-implemented projects	41 035	32 767
Less: transfer to the United Nations Foundation Support Office	–	(139)
Subtotal	**41 035**	**32 628**
Net procurement service fee	(1 245)	(945)
Other	–	111
Total	**39 790**	**31 794**

Note 17
Global Contraceptive Commodity Programme

At its first regular session of 1996, the Executive Board approved the establishment of a Global Contraceptive Commodity Programme to be managed as a trust fund. In accordance with that decision, $5 million was transferred from unexpended resources to the Programme in 1996. The movements in this trust fund are included in "Other trust funds" in schedule B.

At 31 December 2011, $1.5 million stocks of contraceptives were held at manufacturers' premises for UNFPA as part of the Programme (2009: $1.4 million). Additionally, as at 31 December 2011, there were $0.5 million of orders-in-progress (2009: $1.3 million).

Note 18
Contingent liabilities

As at 31 December 2011, UNFPA believes that there are no material contingent liabilities that have not otherwise been provided for in these financial statements.

Note 19
Differences in presentation between the format of the financial statements for 2010-2011 and 2008-2009

Financial statements 2010-2011		*Financial statements 2008-2009*	
Statements			
Statement 1	Statement of financial position	Statement 2	Assets, liabilities and fund balances, by regular and other resources
Statement 2	Statement of financial performance	Statement 1	Income and expenditure and fund balances, by regular and other resources
Statement 3	Statement of changes in net assets	Statement 4	Regular resources — movements in reserves and fund balances
Statement 4	Cash flow statement	Statement 3	Statement of cash flows, by regular and other resources
Schedules			
Schedule A	Unearmarked contributions — Status of contributions	Schedule 1	Regular resources — status of voluntary contributions
Schedule B	Earmarked contributions — Co-financing revenue, expenses and fund balances	Schedule 6	Co-financing — Income and expenditure and fund balances
Schedule C	Procurement services	Schedule 7	Procurement services — Income and expenditure and fund balances
Schedule D	Unearmarked resources	Schedule 2	Other income and expenditure, by regular and other resources
		Statement 1	Income and expenditure and fund balances, by regular and other resources
Schedule E	Earmarked resources	Schedule 2	Other income and expenditure, by regular and other resources
		Statement 1	Income and expenditure and fund balances, by regular and other resources
Notes			
Note 1	Mission statement and organizational objectives	Note 1	Mission statement
Note 2	(a) Summary of significant accounting policies	Note 2	Summary of significant accounting policies
	(b) Changes in accounting policies	Note 3	Change in accounting policy
Note 3	Cash and cash equivalents	n. a.	n. a.
Note 4	Investments	Schedule 8	Investments, by regular and other resources
		Note 13	Investments
Note 5	Contributions receivable, other current assets and prepayments	Note 4	Contributions receivable
		Note 7	Allowance for doubtful collection of contributions receivable
		Note 14	Accounts receivable — other
Note 6	Operating fund advances	Note 24	National execution

Financial statements 2010-2011		Financial statements 2008-2009	
Note 7	Non-expendable assets	Note 21	Non-expendable assets
Note 8	Accounts payable and accruals	Note 15	Accounts payable — other
Note 9	Employee benefits	Note 16	Long-term liabilities
		Note 22	Pension benefits
		Note 23	End-of-service and post-retirement benefits
Note 10	Other current and non-current liabilities and deferred revenue	Note 6	Contributions received in advance
		Note 15	Accounts payable — other
Note 11	Unearmarked resources — Movements in reserves and fund balances	Note 5	Private endowment trust
		Note 12	Implementation of International Public Sector Accounting Standards and enterprise resource planning system
		Note 17	Reserve for field accommodation
		Note 18	Operational reserve
		Note 19	Earmarking
		Note 26	Regionalization
		Note 27	Security Reserve
Note 12	Contributions revenue	Statement 1	Income and expenditure and fund balances, by regular and other resources
		Note 8	Contributions in kind
Note 13	Other revenue	Schedule 2	Other income and expenditure, by regular and other resources
		Note 14	Accounts receivable — other
Note 14	Hedging	Note 9	Hedging
Note 15	Other expenses	Schedule 2	Other income and expenditure, by regular and other resources
Note 16	(a) Unearmarked resources — Programme expenses by country	Schedule 3	Regular resources — programme activities by country
	(b) Unearmarked resources — Programme expenses by region	Schedule 4	Regular resources — programme activities by region
	(c) Unearmarked resources — Biennial support budget	Schedule 5	Biennial support budget
		Note 11	Biennial support budget
Note 17	Global Contraceptive Commodity Programme	Note 20	Global Contraceptive Commodity Programme
Note 18	Contingent liabilities	Note 25	Contingent liabilities
Note 19	Differences in presentation between the format of the financial statements for 2010-2011 and 2008-2009	n. a.	n. a.

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